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BRITISH RAILWAY FINANCE

A GUIDE TO INVESTORS

BY

WALTER W. WALL, F.J.I.

LATE EDITOR OF 'THE MINING JOURNAL'

AUTHOR OF 'HOW TO SPECULATE IN MINES,' ETC.



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PREFACE

THE inauguration of the twentieth century is, unfortunately, not an auspicious inauguration for our home railways. Whatever prosperity they may have enjoyed in the past, there has now come a change for the worse in their fortunes, and it is impossible for any man to say, however penetrating his insight into the future may be, whether that change is temporary or permanent. Even the chairmen and directors of our railways are far from unanimous on that point. The premises they lay down are by no means in accord, and the inferences deduced from them are necessarily lacking in accord also. After all, it is hardly so much a matter of knowledge as a matter of temperament, and as temperament is infinitely varied in its manifestations, so do we necessarily find the views and opinions of man varied also. The optimistic see vistas of brightness and of hope, the pessimistic see the clouds of darkness and of despair. Whilst our visions are affected in this way, who of us, shall we

PREFACE

say, are suffering from illusions? We can put faith and confidence in time alone, for time alone can decide for us which is the clearer and truer view.

My object in writing this book is to give as concisely as I can the position as it is at present. No book of the kind, of which I am aware, has been issued for some years, and I think a subject of this kind, if brought up to date, will be welcomed by railway investors all over the country. They may not have all the information at their fingers' ends, or, if they do possess it, they may not have it in a convenient form for reference and study, and this book is designed to supply such a deficiency. It will be seen that I have gone little into past history; to do so would have enlarged the book beyond convenient dimensions, and such a book could hardly be published at a popular price. Moreover, I do not think it is necessary to go into past history at any great length; the present and the future are sufficient unto themselves.

The plan of the book may be criticised, but, naturally, I think myself that it is the best. Instead of paraphrasing the reports of directors I give them in full, for shareholders will not only be able to get all the essential information, as far as reports give it, from them, but at the same time the opinions of the directors on the prospects, etc., which will give them food for study and reflection, as well as a diversity

PREFACE

of matter for profitable comparison. I have done the same with the chairmen's speeches, for I consider these speeches of very great importance. I comment both upon the reports and the speeches, and give my opinions upon the most essential matters.

In the appendices I give tables, articles, and expressions of opinions from varied sources, which should not only be found interesting and instructive, but a great help also to a complete grasp of the situation and the prospects, and an aid to the elucidation of vital and complex figures. I have also given elaborate tables in the first part of the book, and these, too, may be studied with profit. Indeed, my aim has been to give as much material as possible for the help and guidance of the investor, and I think he will find it of considerable assistance to him.

I have also written one or two chapters on market operations, market influences and conditions, for I wish the book to be a guide to the novitiate as well as to the experienced. Many refrain from investing and speculating because they are frightened by the complexities and intricacies of the Stock Exchange, and of the vast array of influences that determine the prices of stocks and shares. They cannot understand them, and therefore I have devoted a portion of the book to enlightening them on matters of this kind, as well as in enlightening them on railway investments, railway administration and prospects.

PREFACE

In my criticism of railway administration I am severe, for I think it calls for severity, especially as mildness of censure hitherto has brought about no beneficial reform. Therefore I think it will be found that I have dealt fairly adequately with matters and questions of most importance, and if my efforts help to the enlightenment and the awakening of investors, and induce them to study more deeply than they have hitherto studied matters of vital concern to them, the book will not have been written and published in vain.

W. W. W.

CATFORD, S.E.,
November, 1901.

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PART I





CHAPTER I

INTRODUCTORY

IN writing this book on our home railways, my sole object is to give some advice and guidance both to those who invest their money in our railway companies, and to those who are likely to do so in the future. Vast numbers invest in home railway securities without knowing anything whatever of their individual values and prospects, and merely because they feel that a railway stock or bond is absolutely safe. These are the cautious investors, those who are perfectly satisfied with something safe, to whom security is the first essential, and who prefer a small yield provided they have no anxiety respecting the safety of their capital. So long as they receive their yearly dividends they are content. They trouble themselves very little about anything else. The past has no interest for them, only the present, and they suffer no suspense respecting the future, for the future is quite able to take care of itself. They can see the railways before their eyes, they can travel upon them, and therefore they can see them

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solid and substantial, without liability to vanish into nothingness, as mines do and other ventures which exist only in the imaginations of promoters. As for studying the financial administration of the railways, they would no more think of doing it than of sitting down patiently to study Greek or Chinese. Others are paid to do this for them, and why should they go to the unnecessary labour to do it themselves? They place the most implicit trust and have unquestioning confidence in railway directors and managers. That trust has never been betrayed, and is not likely to be betrayed. Their honesty is above suspicion, and their competence without criticism.

That this supineness on the part of the average shareholder is unwise and also unjustified is apparent to any reflective observer, and one of my objects in writing this book is to show the grounds for this. I shall not hesitate to criticise severely and as it deserves the present administration of our railways, to show wherein it is defective and negligent, and where reforms and improvements are needed. This, of course, I can only do to the best of my ability, and all I can hope for is that my opinions may be worthy of some consideration. I shall endeavour to show that the seeming prosperity of our railways, its noble and substantial-looking appearance, is built upon a crumbling foundation, and that unless that foundation is strengthened by some solid financial and other masonry-work, we shall see it fall in ruins even as we gaze upon it. Tottering buildings, as we

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know, by a little propping here and a little propping there, may last a long time and become quite a world's wonder ; but when they do fall they fall suddenly, and with a terrible crash. We do not want a fate of this kind to overtake our railways, and yet when we come minutely to examine their foundations, we find them to be alarmingly insecure. Those who are content to seek refuge in the edifice are thus less safe than they think they are, simply because they are ignorant of the insecurity of its foundations ; therefore it is advisable, as well as a duty, to warn them of their danger, and of the predicament in which they have innocently placed themselves. They may gaze in wonder at us and refuse to believe us, but we must not be discouraged by their unbelief. Incredulity of that kind is to be expected, as well as the other credulity which is deeply ingrained in them by superficial observation, and which it is so difficult to inform and to change. Nevertheless, duty must be done, no matter what little measure of success may attend it. We have done our part, and if others do not heed the results of beneficial work done on their behalf, they must pay the penalty. There is nothing else to be said.

If investors are unobservant and supine, the directors of our railways cannot be charged with similar failings in one respect. They, too, are sadly unobservant in seeing and foreseeing the inevitable effects of their errors, and supine in taking the trouble to see, but this comes merely of their keen and accurate observation of the attitude of shareholders and investors. They note the

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contentedness and satisfaction of the latter with everything they do, and therefore, being merely human men, they take advantage of it, and do not exert themselves more than they need. We should all do the same probably if we were in their places, for we all like to live as easily and as comfortably as possible. But that does not prevent us from seeing the shortcomings of others, especially if we have to suffer seriously from those shortcomings ourselves. And we are suffering seriously from the shortcomings of our railway directors—of that there is no doubt—and, what is more, we shall suffer far more seriously in the future if we refrain from protesting, from giving utterance to our indignation and discontent; for silence would only encourage them the more to take their ease, to neglect their work and their duties, with consequences which we hardly dare contemplate. It may come as a great shock to the multitude of investors in this country to find that the men in whom they have unquestioningly placed their trust are not performing their work with that ideal perfection which they unconsciously imagine. They may not relish any rousing from their lethargy by the trumpet sound of criticism, but this long and heavy sleep of theirs is not a healthy one, and some day, perhaps, we may even find them grateful.

Apart from investors, there are, of course, pure and simple speculators, though by simple I do not mean that they are men of a childlike simplicity. The simple ones are those who speculate with

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the blindness and recklessness of ignorance, who attempt to make quick and large fortunes, and yet who are as innocent as children of the rules and points of the game. They have not made themselves skilful by study and experience. They depend for success solely upon their mother-wit, not knowing that that attribute is merely an imaginary one. They will not learn. Many have not the intelligence to learn, others lack the patience. It is too much trouble. How can they learn? Who is to teach them? They can learn most, of course, from experience, and those who have not had the advantage of experience may learn something from the high-class financial papers, and perhaps not a little from books. This book of mine is an attempt to give what instruction I can by the latter method, and notwithstanding its many shortcomings, I hope it will be of help to many. I hope it will be instructive not only to those who are *bonâ fide*, contented investors, but also to those who are content merely to speculate, merely to buy and sell, when they see opportunities arise for one or the other operation. Speculation is, of course, confined almost entirely to the ordinary stocks of our railways, but the opportunities of making fortunes in the fluctuations of the prices are few and far between, even if they may be said ever to exist. In comparison with mines, these opportunities are, of course, insignificant. If a man wants to try the chance of making himself a millionaire and to run an equal risk of making himself a pauper, let him speculate in mines only.

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He can become a millionaire, by a series of good strokes of luck, in a few months, but he can become a pauper in five minutes. Speculation, therefore, owing to the chances and risks in the game, is far more exciting and engrossing in mines than in home railways. Next to the latter come American rails, and whilst fortunes are not easily made here, paupers are made by the hundred. It is not often, thank heaven! that we have an experience like that of the Northern Pacific corner. Nothing of the kind is possible in home railway speculation, and therefore we have something to be thankful for. Our railway administrators are not the unscrupulous men to be numbered by the dozen in America, and, happily, they have not the means nor the power to be tempted to imitate the tactics resorted to on the other side of the Atlantic. Their powers are limited. Neither do they run the railways for their own private ends, and simply to enrich themselves at the expense of the shareholders. Their honesty is above suspicion. There is little more purity in the administration of American railways than there was in its early days, but it is sadly wanting in purity and honesty still. There are not the opportunities in our home markets for those 'bull' and 'bear' campaigns which have such startling developments in America. They do not give so much matter for inventing lies, and when lies are told we have greater facilities for testing them. Still, speculation is hazardous unless one gives up sufficient time to the study of it, and this

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is what speculators refuse to do ; hence they only too easily play into the hands of the professionals.

And it seems to me, as I will endeavour to show in the following pages, that the ordinary stocks of our railways will become nothing else but speculative gambling counters in the future. It will be a great and a lamentable fall, but an inevitable one, unless our directors show more competence and foresight in their methods of administration. Of late years we have seen a steady decline in the dividends paid on the ordinary stocks, and at the end of 1900 the fall was so excessive as to startle shareholders and to depreciate their capital holdings to such an extent as to aggregate a loss of many millions. There is something like £1,152,000,000 sterling, excluding mere nominal additions, invested in our home railways, and of this some £440,000,000 represent ordinary capital. Since 1896 there has been a steady depreciation in this capital, until to-day it amounts to over £280,000,000 sterling, including not only the decline in ordinary stocks but in debenture and preference stocks as well. What does this mean ? It means immense losses to many, and, unfortunately, there is little or no hope that they will ever be recouped. For this, as I have said, we have to seek no other cause than in the decline in profits and dividends, together with the not hopeful outlook of appreciable improvement. No wonder we have witnessed of late years a growing disinclination, almost imperceptible though it may be, to deal in railway stocks. There has been no great rush on the part of

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holders to get rid of their holdings, and it is fortunate that they have not been scared to do this. Sentiment, doubt and credulity have been restraining influences, but that is no assurance that we shall not witness a mad stampede on their part in the future, with all its deplorable consequences. Discontent is undoubtedly spreading amongst them, and this discontent may take firmer and firmer root, until it becomes active and formidable in its activity. It is slumbering as yet, or, rather, we might more aptly say smouldering, and a vigorous fanning of criticism may cause it to burst out into a raging fire, and whether that fire will be a devastating or a warming, health-giving one, burning merely débris and rubbish, will depend upon the prudence with which it is controlled and directed. And directors would be wise to make provision to meet with a conflagration of the kind, or else they may find themselves the victims of its uncontrollable force.

The policy of investors in the future must be directed by wisdom and foresight. It is true that market values are often a bad test of the real value of a security, and merely fluctuate through temporary incidents, without regard to their bearing upon the future. This must not be lost sight of, and must be a corrective to impetuous and unreflecting action. The market value from day to day of an ordinary stock running into £25,000,000 to £35,000,000 and upwards often depends upon the turnover of a few thousands. This may create a disposition to buy on a large scale, which, of

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course, would at once send up the price of stock. It would also be helped by the covering of 'bears,' and thus the value would for the time being be wholly fictitious, without regard to intrinsic merits. There are many amongst us undoubtedly who have been so alarmed by the deterioration in the value of railway stocks and the decline in profits and dividends that they have given up all hope of future recovery. Whilst this may represent the extreme of pessimism, it would not be unprofitable to consider the question whether present conditions are permanent or are likely to be aggravated in the future. Such a question is not to be answered in any off-hand manner. It is not a ridiculous question, but a serious and vital one, and it is one, accordingly, to be answered at length. I hope this book will help towards some conclusion to it. I hope to be able to show that permanency and aggravation are not only possible, but probable. We are *drifting* in this direction, but it is not too late to stay our course in the wrong direction, and to turn it vigorously in the right. That is the change of action I advocate, and I only seek to show that such advocacy is reasonable and necessary.

Complaint is made by our Consuls all the world over of our lack of adaptability to new conditions and to new wants, and it is this shortcoming of ours that is responsible for the little headway we are making in the contest with our American and Continental rivals. This cannot be imaginary. It is not supported by one man's word only, but by all, and they bring forward quite a mass of evidence

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in support of their assertions. Moreover, we know that this want of adaptability is inherent in our character. It is flesh of our flesh and bone of our bone, and it would require both a vigorous and a painful effort to change it. This idiosyncrasy we find in a most marked degree characteristic of our railway directors and managers. They have so accustomed themselves to take things easily that they find themselves quite impotent to meet adversity, and all they can do is to lament it helplessly, and to hope that time will come to their rescue. Time is not so charitable. Time, too, shows a lack of adaptability to all our wants, and all we can do is to fight it and make it amenable to our necessities. But railway directors cannot see that they can utilize time in this fashion, and if they cannot see it, then there is no harm done if we try to show them how to take advantage of it. They may not thank us for the interference, and may regard it as confounded impudence. It would be if they were running the railways with their own private money. They are not, however, masters, but servants—a fact that they are somewhat apt to overlook—and it would not be injudicious gently and kindly to remind them of their obligations. When they see traffics decline they seek help in no other way than by putting the burden upon capital, when the obvious and wise policy would be to put it upon revenue. If this is not incompetence and an utter lack of all business ability, then I don't know what competence and business ability are.

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All that is wanted is economy, and that is all that we ask for, and that is what it seems we shall ask for in vain. The directors seek for possibilities to economize, but they cannot see for looking—a peculiar sort of blindness that afflicts many of us at times. Still, we can see when objects are pointed out to us, and we are now pointing our fingers to those objects for which the directors of our railways say they are searching. Still, they cannot see, or, rather, to come to the real truth of the matter, they will not see ; hence the futility of our efforts. Wherever we look we see nothing but extravagance and improvidence, and courage as well as vision is needed to curtail it. If only more up-to-date scientific methods were adopted we should see wonders done, or at least great improvements ; but the directors are either too timid or too apathetic to cope in this manner with their increasing necessities. An increase in the train load, increased hauling power of locomotives, larger waggons, are all needed, and seem in some vague way actually to be recognised by railway managers, but there seems to be no progress beyond this vague recognition. What seems to be more comprehensible and attractive to them is increasing the rates and cutting down wages, which is about as sensible as cutting off one's nose to spite one's face. If they wish to ruffle traders, the customers upon whom they rely for their well-being and existence, then they could not do it more effectually than by raising the rates ; and if they wish to strain their relations with their employés and to ignore the lessons of

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the past, then they could not succeed more surely than by reducing wages. With more advanced methods of working they would be able to economize with far more expedition and advantage than by either of these two suicidal methods. They may—if we may venture to suggest it—take with advantage a little leaf out of the book of our American cousins in regard to up-to-date scientific methods. But they seem obstinately averse to any such action, plead with them how we may.

CHAPTER II

SOME REFLECTIONS ON THE HALF-YEAR'S WORKING

THE year 1900 was a bad enough year as far as railway results were concerned in all conscience, and the most pessimistic of shareholders could hardly imagine a worse state of things overtaking them. All consoled themselves with the hope that the worst had been seen, that misfortune had reached its nadir, and that a change for the better was not only probable, but the only thing to expect. Instead of these hopes coming to fruition, however, a greater misfortune has overtaken them, the greatest misfortune they have yet had to endure, and who shall dogmatically predict that nothing worse can happen? I for one can see many worse things, and I can see the probability of their happening. To avert them will depend upon the wisdom of our railway managers and directors, upon their foresight, and upon the extent to which they conduct their business on true business methods. But if they institute no changes and reforms in their methods, and are content to go on in the old ways, then I see nothing but hopeless-

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ness for the future, nothing but disaster to result from folly of this kind. Dividends have descended to the vanishing point now, and we shall see them vanish altogether presently; and once they do vanish they will go, in all probability, never to return. All through 1900 we saw with dismay an unchecked decline in the gross receipts, and instead of showing an improvement, the second half of the year showed worse results than the first half, whilst at the same time the expenditure advanced, when, in order to minimize the effects of this falling-off in revenue, it ought to have decreased.

When the results were made known and published it was fully anticipated that shareholders, when they met together at the half-yearly meetings, would assume a more critical attitude than it had been their habit to assume, and that they would insist upon something or other being done to avert a crisis which was being hastened by the extravagance of their directors. But, no; they were as supine and as indifferent as ever. They may have gone to the meetings, as many of them do year after year, boiling over with indignation, and fully resolved to know this, that, and the other, to speak their minds freely to the directors, and to demand explanations of their conduct, but, as usual, they were dumb. They were either carried away by the eloquence of chairmen, by their suavity and persuasiveness, to say nothing of their cheery optimism, that their mouths were effectually closed, and they, too, went home again encouraged and hopeful. Evidently we have not yet fathomed the folly of

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the average investor. Whilst they would not allow incompetence and extravagance on the part of their own servants at home or in business, they overlook it on the part of their public servants, and allow their money to be spent as prodigally as though they were building fairy palaces with it, and wanted simply to get rid of it in insubstantial gaudy splendour. And their money is being spent in this princely fashion, as though the stream of it were inexhaustible. It has hitherto looked to be inexhaustible, but directors will find out some day that the source of it will be suddenly dried up, and then starvation will come, with all its attendant sufferings.

We pressmen also hoped that there would come a change over the attitude of directors themselves at the recent meetings. Nothing of the kind happened. They said precisely the same things they have been saying for years; they told the old story with the old gusto; they expressed the old contempt for the misfortunes they had passed through and for the dangers ahead. They had weathered them in the past, they would weather them in the future. There was nothing to fear, no alarm to be felt. These storms must be expected and must be endured. They must not be lamented over, but faced with resolute determination and with the defiance that comes of conscious power to combat them successfully. No wonder such rousing words as these cheered the despondent shareholders and worked them up to something like enthusiasm, to a courageous defiance of any

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crisis they might have to face. I feel sure that these chairmen must have felt some fervent thankfulness that they could put the blame upon coal, when they must have known that coal was responsible for only a part of the onerous troubles they have been going through. However, it was a god-send of an excuse, and not only an excuse, but it gave something solid upon which to base hopes for the future. Salvation would come from the lower prices at which contracts have been fixed. Never mind the increasing capital charges ; they could be passed over superficially, as they always had been. Never mind the decreasing net profits ; shareholders could be easily persuaded into the belief that it was a mere temporary phase. So that, whatever they may have privately thought of the crisis they are passing through, and of the dim prospects of their passing through it harmlessly, the chairmen in their public utterances concealed such opinions effectually from the intuition of shareholders. But the latter will be woefully misled if they fail to bear in mind that the advance in coal is only one of a number of adverse features, and whilst admitting that the cost of fuel is certainly declining and giving some relief to the railways, the other items are not likely to decline unless special efforts are made to economize.

I was greatly amused by reading an article in the *Financial News*, in which the writer facetiously imagined the change that would come over the scenes we are accustomed to see at the half-yearly assemblages of railway shareholders. This imagina-

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tive picture is really too good to be thrown aside and forgotten, and so I take the liberty of reproducing it in order to enliven a little the tedium of the tale I am telling. Speaking of the deplorable results of the half-year's working the writer said : ' As these facts and figures soak into the minds of railway shareholders we may expect a change to come over the scene of half-yearly meetings. The rows of smiling faces, the noise of many umbrellas whacked recklessly upon the floor as the chairman descants upon the "highly satisfactory record of your company," the impatient murmurs which meet the stray objector, who rises in the body of the hall to ventilate once again his pet reform, will be succeeded by gatherings of a different kind. Directors will be scowled at, chairmen will find their nicest phrases met with sceptical smiles, and the voice of the reformer will be the signal for applause. How long it may take for this change to come about we do not profess to foretell—railway shareholders' minds move almost as slowly as do those of railway directors—yet we shall be surprised if, during the approaching season of half-yearly meetings, a change in the direction we have anticipated is not apparent to some extent. Railway chairmen and officials will do well, therefore, to equip themselves for the task of answering awkward questions when they next meet their shareholders, for there are many signs of awakening and discontent. Dividends are going to be reduced, and he is a bold optimist who will say when they are going to be raised again. We would advise chairmen to antici-

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pate criticism by embodying a policy of reform in their speeches. The chairman who really saw and was ready to face the position would address his shareholders after this fashion : "Gentlemen, years of prosperity have made us slack and sleepy ; a fine old crusted conservatism has gathered round the hoary traditions of this board, but we see the need of bestirring ourselves, and we are going to alter all that. We are going to reduce haulage expenses by using bigger waggons ; we are going to maintain our rolling stock chiefly out of revenue instead of, as hitherto, almost entirely out of capital ; we are going to extend the corridor system instead of perpetuating the aboriginal idea of a railway carriage as a stage coach on rails. We shall look favourably upon schemes for mileage tickets, which persons who travel much may find a great boon ; but we are going to turn our backs upon the policy of dislocating traffic and exasperating ordinary passengers by carrying trippers to the seaside at crowded times for fares which are about a sixth of the amount charged to ordinary passengers. We are going to cultivate the countryside by facilitating the despatch to market of home produce at rates not four times higher than we charge upon the foreign produce which helps to deplete the villages, and so reduce our earnings. We are going to consult the claims of punctuality and despatch, but we do not propose to treat the railway as a locomotive racing track, because sport is an expensive luxury in hard times." And so on, according to taste and the needs of the particular company.

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Some chairmen might add the provision of light, and even of electric railways, as feeders to, or in relief of, the congested traffic on their main lines; others might promise to maintain more cordial relations with their workmen and with Parliament. All might find a long list of matters needing reform, and the application of a more vigorous and up-to-date and less prejudiced spirit.'

The satire of this writer is in every way justified, and, far from being too bitter, it is hardly bitter enough. Humorous as the imaginative picture is, we cannot look upon it without a feeling of seriousness, for it is conceived in reason and common-sense. Sound, weighty advice is given, and, notwithstanding that it is given in a joking manner, it is sufficiently grave to be pondered over in anything but a light-hearted mood. The same article goes on to advocate reforms in minor matters, and as these are matters I do not propose to deal with at length, I will content myself with quoting them, adding that I endorse every word that is said :

'Some of these reforms touch upon very big matters, others deal with comparatively small things, but even the small ones would repay attention. Take, for example, the questions of return tickets and of excursion tickets. We mention these two because they happen to have just been taken in hand upon the prosperous Prussian and Hessian State Railways. Ordinary return tickets are in future to be issued upon these railways, to all stations, at one and a half times the

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single fare, and the return half is to be available for forty-five days. Our companies would make themselves much more popular if they would follow suit. They might well go further, indeed, and allow a return half to be used at any time within a year. But hitherto the companies have refused to alter their present arbitrary and complicated system of stipulating for the return tickets to be used upon the day of issue, or the next day, or the next week, or at most within the month, charging lower fares according to the shortness of time, as if it cost them more to bring a passenger back two months hence than two days hence ; whereas, when the ticket is issued in a very busy time, such as an August Bank Holiday week-end, the passenger studies the companies' convenience by deferring his return journey. This consideration leads up to the excursion problem, which the German railways have also been taking in hand. The ridiculously cheap excursion fares are to be abolished, so as to remove the anomaly of a lower fare to an obscure watering-place than is charged to an important city not so far along the line. English railways might well imitate the German in this respect. The cheap excursion system has been allowed to grow into an abuse. At one time the excursionist paid a lower fare because he was packed into a special and crowded train, whose movements waited upon the convenience of the ordinary trains. Now he sits cheek by jowl with the ordinary passenger in an ordinary train, though paying a very much lower fare than that of the

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ordinary passenger, simply because his ticket is, say, for a week-end and the other man's for a month. Either the one is charged too much or the other too little. By attention to even trifling points of railway policy such as these no inconsiderable progress might be made towards improving the very clouded prospects of our railways.'

Taking a cursory glance over the results of the past half-year, we find a steady decline in the gross receipts, and as there has at the same time been a considerable increase in the expenditure, we find an appreciable falling off in the net revenue. The six companies that managed to make an addition to their gross receipts were the Great Eastern, the Great Western, the London, Brighton and South Coast, the London and South-Western, the London and Tilbury, and the South-Eastern and Chatham, but not one could show a halfpenny increase in the net revenue. And we find that these five depend more on passenger than on mineral traffic, so that if there is any revival in trade, as is so confidently predicted by railway directors, they will not stand to gain so much as the heavy lines, which depend more on trade conditions. Their outlook, therefore, cannot be said to be rosy, especially as any improvement in gross receipts may again be more than swallowed up by capital expenditure and further reduction in the net revenue. They may find a great deal of ease in the greater cheapness of coal, but the saving in this may be quite nullified by another appreciable falling-off in traffic, which, at the

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time of writing, is foreshadowed in the weekly returns.

The Great Eastern directors took from the Contingent Fund the sum of £55,000, or nearly half its total, in order to enlarge the dividend on the ordinary stock for the half-year. Allowing for the balance brought into the past six months and that draft, the company was actually short by about £13,000 in the amount required to pay its preference charges in full. The South-Eastern paid all its preference dividends, though its accounts revealed that there was a shortage of £14,427 therein, and that sum was accordingly taken from the Steamboat Depreciation Fund. The Great Northern took from reserve the sum of £60,000, equal to $\frac{3}{4}$ per cent. on its ordinary capital, in spite of the fact that there is a suspense account in its balance-sheet to which the auditors have called attention for years past. The Great Central took £8,000 from the reserve fund, but the prospects of this company are dubious in the extreme.

The following tables, which give the analysis of accounts of thirteen English railways for the past half-year, I take from the *Financial Times* of August 13.

These tables lucidly tell their own tale, and require little or no comment. The receipts from the passenger traffic increased by £408,268, and we have to go back some twelve or thirteen years to find a parallel to this improvement. Had it not been for this, we dare hardly contemplate what would have been the consequences to the paltry

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Company.	Passenger Receipts.		Goods and Miscellaneous Receipts.		Net Revenue Credits, including Amounts brought forward.		Total Revenue.	
	1900.	1901.	1900.	1901.	1900.	1901.	1900.	1901.
Great Central	£ 280,972	£ 304,473	£ 1,299,832	£ 1,259,629	£ 88,795	£ 94,213	£ 1,669,599	£ 1,658,315
Great Eastern	1,121,337	1,186,169	1,421,149	1,415,747	63,062	112,083	2,605,548	2,714,399
Great Northern	769,646	774,215	1,999,926	1,923,426	62,250	108,490	2,831,822	2,806,131
Great Western	1,841,832	1,922,699	3,425,702	3,412,190	65,761	68,294	5,383,295	5,408,183
Lancashire & Yorkshire	942,748	949,014	1,676,665	1,626,746	32,797	23,519	2,652,210	2,599,279
London & North-Western	2,118,761	2,149,516	4,500,624	4,398,340	186,057	165,012	6,805,442	6,712,868
London & South-Western	1,194,624	1,217,444	1,120,673	1,129,553	29,347	28,745	2,314,644	2,375,742
London, Brighton & South Coast	907,296	945,658	509,849	519,634	26,228	31,985	1,443,373	1,497,275
Midland	1,240,025	1,294,104	4,191,148	4,042,555	151,770	149,605	5,582,893	5,486,264
North-Eastern	1,025,045	1,095,156	3,328,188	3,217,113	55,674	48,394	4,408,907	4,360,663
South-Eastern & L.C. & D.	1,234,086	1,247,194	796,922	807,114	3,053	6,440	2,034,061	2,080,748
Joint ac.	—	—	91,863	95,514	45,447	c 67,321	137,310	162,835
South-Eastern	—	—	31,029	30,607	74,894	34,489	105,923	65,096
London, Chatham & Dover	12,676,372	13,085,640	24,393,570	23,878,168	885,085	938,990	37,955,027	37,902,798
	—	+ 409,268	—	- 515,402	—	+ 53,906	—	52,229

(a) Including £8,000 transferred from Revenue Contingencies Account.
 (b) Including £66,000 taken from General Balance Account.
 (c) Including £14,427 transferred from Steam Packet Depreciation and Renewal Fund.

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Company.	Expenses.		Pre-ordinary Charges.		Available for Dividend on Ordinary Stock.		Dividend on Ordinary Stock.		Carried Forward.	
	1900.	1901.	1900.	1901.	1900.	1901.	1900.	1901.	1900.	1901.
	£	£	£	£	£	£	P. c.	P. c.	£	£
Great Central	1,102,439	1,112,533	544,283	544,532	α 22,877	61,250	—	—	22,877	1,250
Great Eastern	1,599,674	1,742,174	861,146	879,914	144,728	92,311	1½	1½	12,099	9,418
Great Northern	1,851,798	1,889,049	716,902	720,680	263,122	196,402	3	2½	10,176	6,692
Great Western	3,336,452	3,569,153	1,486,376	1,496,347	510,467	337,683	3½	2½	33,040	19,730
Lancs & Yorkshire	1,535,483	1,598,496	717,173	728,166	399,554	272,620	4½	3	22,882	21,505
London & North-Western	4,040,374	4,276,197	1,418,216	1,439,151	1,346,852	997,520	6	4½	72,328	32,918
London & South-Western	1,459,137	1,851,776	580,022	594,111	305,485	229,855	4½	3½	18,478	18,376
London, Brighton & South Coast	883,446	954,010	406,062	412,075	153,865	131,190	3½	2½	6,861	8,325
Midland	3,339,141	3,434,709	1,254,950	1,294,374	988,802	757,181	5½	4	21,770	11,046
North-Eastern	2,752,209	2,850,066	807,153	821,746	849,545	688,851	5½	4½	34,971	35,914
South-Eastern & L.C. & D. Joint ac.	1,347,345	1,498,307	31,858	44,091	—	—	—	—	—	—
South-Eastern	21,807	21,753	427,537	446,909	74,332	—	1½	—	5,286	—
London, Chatham & Dover	4,011	4,610	370,218	272,996	186	13	—	—	186	13
	23 273,316	24,502,833	9,621,896	9,695,089	5,059,815	3,704,876	—	—	260,954	165,187
	—	+ 1,229,517	—	+ 73,193	—	- 1,354,959	—	—	—	- 95,767

(a) Surplus after payment of 1872 Preference Stock.

(b) Surplus after payment of 1894 Preference Stock.

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dividends that were paid with so much effort and struggle. Is this improvement permanent, or merely spasmodic? Time alone will show, but it is nevertheless strange that nothing like it has been seen for a long period of time past. Supposing that next year the passenger traffic happens to decline and the gross receipts to improve, which is not an impossible contingency, the railway companies will hardly be better off than they are now, and possibly worse. I do not wish to be too pessimistic, but it is wise to take such possibilities into consideration, and accordingly to make provision for them. There is one hopeful feature revealed in some accounts, and that is a decrease in the mileage run. Evidently directors have seen at last the importance of economizing on this head, and we may take some little comfort from such enlightenment. Nevertheless, in spite of this saving, the expenditure is higher than it has ever been in any similar period in the history of our railways, and this is sufficient to disquieten us not a little. The same may be said of the increasing additions to the pre-ordinary charges—a feature that is gravely imperilling the security of the ordinary stock, and may in the far future even imperil the preference also.

CHAPTER III

EXPLANATORY OF STOCKS, ETC.

BEFORE I proceed any further it is necessary to devote a chapter or two to the elucidation of matters which are not deeply understood even by many who hold stocks in our railways, whilst to others who may invest in such stocks in the future it will be of great help. In the first place, it would be well to explain something of the nature of the various stocks and the particular attributes attached to them. We find, then, that the capital of a railway is divided into stocks of four kinds, such as debenture stock, guaranteed stock, preference stock, and ordinary stock, though some railways have minor issues in the shape of rent-charge stocks and preferred ordinary and deferred ordinary stocks, the two latter being the splitting or the duplicating of the ordinary stock. Then there is a class of stock called contingent rights stock, which shares dividends on the ordinary stock after the latter have received a certain rate. The principal stock of this kind has been issued by the Brighton and South Coast Railway, though some of the Scotch railways have been very partial to it. In

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the prior rank, of course, come the debenture stocks, and they are succeeded by the guaranteed stocks, which are cumulative—that is to say, if the interest is not paid on them one year it must be paid the next, and so on, before any of the junior stocks can receive anything. Preference stocks rank after the guaranteed, but as a rule these are not cumulative, but are dependent for their interest upon the profits of each individual year. There are, however, several such stocks which are cumulative, and in that case they are distinguished by the appellation of non-contingent preference stocks; but most of such stock issued by our railways is a charge upon the profits of each year only. Very little guaranteed stock has been issued, though there is no foreseeing what obligations our railways may be under to issue more of such stock in the future. But that is a pessimistic anticipation which need not be dwelt upon at this time of day. It may be mentioned that Parliament has fixed the proportion of debenture stock to about 25 per cent. of the total capital, and this has to be adhered to when companies are issuing fresh capital, unless the circumstances should be very pressing, when Parliament generally stretches a point. But the need must be exceptionally pressing, for Parliament keeps a sharp eye on the issue of debenture stock, whilst, on the other hand, it leaves it to the discretion of the railway companies themselves to issue in the form of preference or ordinary stock any fresh capital they have authority to raise.

The debenture and preference stocks of our

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leading railways have long been in the list of trustee securities, and it is to be hoped they will not eventually drop out of them, which is far from an impossible contingency in the far future, whilst in the near future it looks as if this misfortune may overtake the prior stocks of the South Eastern Railway Company. Trustees, therefore, should begin to get a little disquieted as to the permanent security of their stocks, no matter how this may be pooh-poohed by railway directors, for they may find themselves in difficulties before they are aware of what is happening. According to the Trustee Act, 1893, it is laid down that railway trust stocks are debentures or rent-charge and other prior securities (guaranteed and preference) upon the provision that for each of ten years past 3 per cent. at least has been paid on the ordinary. Judging by the rate, the accelerated rate, at which ordinary dividends have been approaching the vanishing point of late years, it would be wise of them to prepare themselves for the shock of default, seeing that a radical change for the better—which is by no means assured—must take place to arrest this downward course.

For some years past these debentures and preference stocks have been giving a very poor yield, some of them less even than our Government securities, by reason, of course, of the high price at which they have been standing in the market. But trustees and investors have not minded this provided they were absolutely secure, and they have been undoubtedly almost as safe as consols themselves. They may be equally as safe in the

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future, notwithstanding fluctuations in trade, higher wages, scarcity and dearness of coal, and all the other misfortunes which have to be faced from time to time, provided that the railways are managed with prudence. But the imprudent management of the past is already beginning to bear its consequences, and unless there be reform, how are these consequences to be arrested in the future? If the dividends on the ordinary stock decline through such causes, the decline will go on until there will be no such thing as an ordinary dividend earned, and then the debentures and preference stock will no longer be eligible for trustees, and trustees should accordingly keep a watchful eye on the future. A disadvantage under which our railways labour and will continue to labour is that their debentures are practically irredeemable, and therefore the interest upon them—in some cases very high—will be a perpetual charge upon the companies. They have thus not been in a position to benefit by their credit of late years by conversion or otherwise. In this respect American railways have a distinct advantage over them, inasmuch as the majority of their bonds are redeemable, so that they can take advantage of any improvement in their credit by reducing their prior charges and issuing others at a lower rate of interest.

The following tables will be of interest as showing the amount of debenture, guaranteed, preference, ordinary and other stocks issued by our railways, the interest they bear, their prices, the yield they gave at the end of August last, and highest and lowest prices up to that date:

ORDINARY STOCKS.

BRITISH RAILWAY FINANCE

Present Amount.	Name.	1900. Second Half-Year.	1901. First Half-Year.	Price Aug. 30.	Yield Per cent.	1901. Jan. 1 to Aug. 30.
£					£ s. d.	Highest. Lowest.
764,158	*Barry, Ordinary	5	7	195 @ 205	2 18 6	217½—195
787,082	" Preferred Converted	4	4	101 "	3 15 6	108½—102
397,640	" Deferred Converted	1	3	93 "	2 0 9	111 — 84
918,526	Belfast and County Down	5½	5	125 "	4 2 9	146½—123
	Belfast and North Counties	5½	4½	132 "	3 15 3	145½—131
6,377,116	*Caledonian, Ordinary	3½	...	125 "	3 3 0†	132½—120
11,956,860	" Preferred Conv.	3	...	86½	3 8 6†	88½—83½
11,956,860	" Deferred Conv.	¾	...	39 "	2 10 9†	45½—37½
2,508,026	" Deferred (No. 1)	nil	...	2½	nil	3½—2½
1,860,014	Central London	2½	4	102 "	3 2 0	105 — 83½
494,993	" Pref. Stock	4	4	105 "	3 14 0	107½—93½
494,993	" Def. Stock	1	...	98 "	...	101 — 67½
2,642,000	*Furness	3½	2	73 "	3 12 3	87 — 69½
4,834,300	*Great Central Preferred	nil	nil	20 "	nil	24½—19½
4,834,300	" Deferred	nil for 1900	1½	10½	nil	12½—10½
13,262,886	*Great Eastern	4	1¼	95½	2 14 3	112 — 91½
920,133	*G. N. Scotland Pref. Conv.	3	3	70 "	4 1 9	77½—71½
1,022,955	" Def. Conv.	nil	nil	23 "	7	27½—21
10,908,387	*Great Northern Pref. Conv.	4	3	98 "	4 0 0†	112 — 98½
7,272,254	" Def. Conv.	nil for 1900	3	41 "	nil	47½—38½
1,159,275	" Consol. 'A'	nil for 1900	...	33 "	nil	42 — 30½
1,159,275	" Consol. 'B'	6	4½	150 "	3 17 6†	174 — 149½
3,637,617	Great Northern (Ireland)	6¾	6¼	162 "	3 19 9	170½—162½
5,325,320	Great Southern and Western	5¾	3	107 "	3 14 6	124½—103½
28,262,545	*Great Western	5¾	2¼	135½	2 18 6	149½—131
2,564,383	*Highland	nil	...	39 "	nil	44½—36
3,300,000	Hull, Barnsley and W. R.	2	nil	44 "	...	58½—42½

* Forged Transfers Acts adopted.

† Calculated on the basis of the last two half-yearly distributions.

EXPLANATORY OF STOCKS, ETC.

Present Amount.	Name.	1900. Second Half-Year.	1901. First Half-Year.	Price Aug. 30.	Yield per cent.	1901. Jan. 1 to Aug. 30.
£					£ s. d.	Highest. Lowest.
16,740,995	* Lancashire and Yorkshire	4½	3	114 (a)	3 2 6	132½—114
3,183,840	* London, Brighton and S. C.	7	2½	140 "	3 5 6	156—133
2,756,880	" " Pref. Ord.	6	5	158 "	3 13 6+	177—157
2,756,880	" " Def. Ord.	4½ for 1900		132½ "	3 3 9	140½—118½
11,259,282	* London, Chatham & Dover Arb.	nil	nil	15½ "	nil	19—15
42,871,199	* London and North Western	6½	4½	168 "	3 5 0	180½—164
8,894,905	* London and South Western	7½	3½	170 "	3 2 9	192—170
3,189,620	" " Pref. Conv.	4	3½	115 "	3 8 6+	121—113½
3,189,620	" " Def. Conv.	2½ for 1900		60 "	3 8 6	73—58
1,588,620	* London, Tilbury and Southend	7	3½	139 "	3 14 0	147—140
5,731,830	* Metropolitan Consolidated	2½	2½	80 "	2 18 0	85—71½
2,640,914	" " Surplus Lands	2½	2½	73 "	3 13 3	77—70
2,250,000	Metropolitan District	nil	nil	29½ "	nil	31½—24½
37,274,854	* Midland Preferred Conv. Ord.	2½	2½	74 "	3 6 9	78½—72
37,359,977	" " Deferred Conv. Ord.	2½	1½	62½ "	3 7 0	76½—60½
2,370,000	Midland Great Western	4	3½	92 "	4 0 9	100½—88
6,960,588	* North British Ord. Pref.†	3	...	79½ "	3 14 6+	84½—77
9,383,073	" " Ordinary	½	...	40 "	0 18 6+	44½—37½
29,077,448	* North Eastern	7	4½	155½ "	3 13 6	171½—155½
2,020,400	" " North London	7	6	172 "	3 13 6	204½—174½
3,230,140	* North Staffordshire	4	3½	97 "	3 11 9	119½—98
36,000	Plymouth, Devon (£10 shares)	3½	...	8½ "	3 6 9+	9½—8½
2,686,170	* South Eastern	4½	nil	96 "	...	112—85
3,678,430	" " Preferred	9½	nil	129 "	...	154—127
3,678,430	" " Deferred	nil for 1900	nil	57 "	nil	71—51½
5,192,284	* Taff Vale	2½	3½	71 "	3 18 9	75—69
540,000	* Waterloo and City	3	3	93 "	3 2 6	96—90

Forged Transfers Acts adopted.

† Calculated on the basis of the last two half-yearly distributions.

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DEBENTURE STOCKS.

Present Amount.	Name.	Per Cent.	Price Aug. 30.	Yield per Cent.	1901. Jan. 1 to Aug. 30.
T 9,678,291	*Caledonian	4	132 @	£ 2 19 9	Highest. Lowest. 138½—132
926,395	Cambrian 'A'	4	112 "	3 8 6	120½—114½
750,000	" 'B'	4	107 "	3 11 6	109—106
400,000	" 'C'	4	97 "	3 18 6	102½—98½
392,829	" 'D' (Non-Cum. 4%)	4	86 "	4 10 0	91—86
1,533,300	*Cardiff	3	90 "	3 3 9	96—91
698,201	Central London	4	118 "	3 8 0	117½—117
2,262,728	*Furness	3	92 "	3 3 9	96½—92
T 3,775,340	*Glasgow and South Western	4	131 "	2 19 9	135½—131
10,900,666	*Great Central	4½	133 "	3 6 9	137—131½
500,000	" (Second)	3½	98 "	3 10 0	102½—98
C 16,007,004	*Great Eastern	4	128 "	3 1 6	135—127
C 1,347,298	*Great North of Scotland	4	125 "	3 2 3	132½—127
T 14,294,212	*Great Northern	3	99 "	2 19 0	102½—97½
T 11,342,354	*Great Western	4	133 "	2 19 3	137½—130½
T 1,009,494	"	4½	137 "	3 1 3	143—136½
T 4,537,717	"	4½	148 "	3 0 0	153½—146½
T 2,963,945	"	5	164 "	3 0 3	169½—161
T 755,056	"	2½	82 "	2 19 3	87½—82½
1,530,607	*Highland	4	120 "	3 4 6	127½—121½
1,578,947	Hull and Barnsley, 1st.	3	93 "	3 3 3	97½—93
2,000,000	" " 2nd (3 to 4%)	4½	108 "	3 11 6	116—109½
T 17,700,627	*Lancashire and Yorkshire	3	99 "	2 19 6	102½—98½

(r) Trustees' Stocks. (c) Chancery Stocks. * Forged Transfers Acts adopted.
 † Interest for the last two half-years paid at 4 per cent. per annum.

EXPLANATORY OF STOCKS, ETC.

Present Amount.	Name.	Per Cent.	Price Aug. 30.	Yield per Cent.		1901. Jan. 1 to Aug. 30.
				£	s. d.	
T 1,306,239	*London, Brighton and South Coast	4	130 @	3	0 6	Highest. 134½—129
T 4,850,270	" " Perpetual	4½	147 "	3	0 3	150½—145
5,521,975	*London, Chatham and Dover Arb.	4½	134 "	3	6 0	140½—131
969,674	" " B.	4½	132 "	3	7 3	137½—129½
370,711	" " "	4	115 "	3	7 3	118½—118½
850,641	" " "	4	115 "	3	7 3	122½—118
504,700	" " 1883	3	85 "	3	7 0	90 — 88½
T 38,227,884	*London and North Western .	3	102 "	2	17 6	106½—99½
T 1,177,004	*London and South Western 'A' .	3	101 "	2	18 0	104 — 99½
T 13,526,751	" " Consolidated	3	101 "	2	18 0	105 — 98½
T 825,000	*London, Tilbury and Southend .	4	128 "	3	1 6	134½—126½
T 2,293,311	*Metropolitan .	4	122 "	3	3 6	130½—122
X 358,263	" " .	4½	135 "	3	4 9	141 — 135½
X 455,680	" " .	3½	105 "	3	4 0	109½—104½
1,211,625	Metropolitan District .	6	142 "	4	2 6	159 — 141
727,200	" " .	4	93 "	4	2 6	103½—92½
T 36,271,338	*Midland .	2½	83 "	2	19 3	87 — 81½
C 13,098,932	*North British .	3	98 "	3	0 0	102 — 98
T 22,690,493	*North Eastern .	3	100 "	2	18 9	103½—98½
T 964,366	North London .	4½	143 "	3	1 3	149½—145½
T 1,456,085	*South Eastern Perpetual .	4	126 "	3	2 6	132½—125½
T 4,842,440	" " .	5	157 "	3	3 0	164½—156½
T 949,480	" " .	3	94 "	3	2 3	101½—95½
T 1,362,258	*Taft Vale .	3	92 "	3	2 3	98 — 92½

(T) Trustees' Stocks.
 (X) These securities are sometimes regarded as Trustees' Stocks, but as doubt exists they are not so marked.
 (C) Chancery Stocks.
 * Forged Transfers Acts adopted.

BRITISH RAILWAY FINANCE.

GUARANTEED STOCKS.

Present Amount.	Name.	Per cent.	Price Aug. 30.	Yield per cent.		1901. Jan. 1 to Aug. 30.
				£	s. d.	
T 2,431,104	*Caledonian Guaranteed Annuities Consolidated . . .	4	130 @	3	0 6	Highest. Lowest. 135½—130¾
T 3,667,164	" Consolidated . . .	4	130 "	3	1 0	135½—130
C 779,125	*Furness, Consolidated . . .	4	115 "	3	7 3	126¼—116¾
1,066,083	*Great Central, 1st Preference . . .	4½	118 "	3	14 9	125—118
366,698	" Perpetual 1855 . . .	3¼	83 "	3	14 3	90¾—84¼
872,000	" Perpetual . . .	6	152 "	3	16 9	163—152¼
490,000	" S. Y. Rentcharge . . .	5	128 "	3	16 9	132—126½
1,797,428	" S. Y. Rentcharge . . .	4½	108 "	3	17 0	114—108
C 478,031	*Great Eastern, Cons. Rentcharge . . .	4	125 "	3	3 0	129¾—125½
C 650,000	" G. E. Metropolitan Consolidated Irred. . .	5	154 "	3	3 3	160¾—153
C 4,966,596	" Consolidated Irred. . .	4	125 "	3	2 9	131—124½
C 363,862	*Great North of Scotland . . .	4	124 "	3	4 0	128½—124
T 3,435,740	*Great Northern, Perpetual . . .	4	128 "	3	1 0	135—127½
T 7,609,630	*Great Western, Rentcharge . . .	5	161 "	3	1 3	168—158½
T 17,846,464	" Consolidated . . .	5	160 "	3	1 6	167¾—160
T 2,596,012	*Lancashire and Yorkshire, Cons. . .	4	129 "	3	0 9	135—128
T 1,955,860	*London, Brighton and S. C., Cons. . .	5	159 "	3	1 9	166—158¼
T 15,100,406	*London and North Western, Cons. . .	4	130 "	3	0 3	137—129¾
T 797,980	*London and South Western, Cons. . .	4	129 "	3	0 6	134¾—129½
350,000	Metrop. District Midland, Rentch. . .	4	110 "	3	9 9	116¼—110
1,250,000	" 4% Perpetual Guar. . .	2½ and 1¾	81 "	2	6 6	85½—67

(n) Trustees' Stocks.

(c) Chancery Stocks.

* Forged Transfers Acts adopted.

EXPLANATORY OF STOCKS, ETC.

GUARANTEED STOCKS—continued.

Present Amount.	Name.	Per cent.	Price Aug. 30.	Yield per cent.	1901. Jan. 1 to Aug. 30.
£				£ s. d.	Highest. Lowest.
T 16,752,917	*Midland, Consolidated Guar. Pref.	2½	80 @	3 0 3	86½—80
C 7,623,175	*North British, Consolidated Lien.	3	96 "	3 1 0	101—96
C 2,444,129	No. 1 . . .	4	126 "	3 3 0	130½—126
T 8,466,903	*North Eastern, Consolidated.	4	129 "	3 0 6	135—127½
T 40,000	*South Eastern, Perp. Annuities .	20/6	31 "	3 4 6	32½—30½
T 984,300	" Consolidated Guar.	4½	133 "	3 5 9	143—134

PREFERENCE STOCKS AND SHARES.

(Dividends contingent on the Profit of each separate Year.)

T 3,579,935	*Caledonian, Consolidated No. 1 .	4	127 @	3 2 6	132½—127
T 2,946,341	" " No. 2 .	4	126 "	3 3 0	131—126
T 1,639,890	" " 1878 .	5	153 "	3 4 3	163—154½
T 952,995	" " 1884 .	4	125 "	3 3 6	130—124¾
T 1,036,243	" " 1887 (Convertible)	4	124 "	3 4 0	129¾—124
C 1,300,750	*Furness, Consolidated .	4	110 "	3 10 3	120—111
C 350,000	" A 1881 .	4	108 "	3 11 6	115½—110
C 200,000	" B 1883 .	4	106 "	3 12 9	113—110

(T) Trustees' Stocks.

(C) Chancery Stocks.

* Forged Transfers Acts adopted.

BRITISH RAILWAY FINANCE.

PREFERENCE STOCKS AND SHARES—continued.

Present Amount.	Name.	Per cent.	Price Aug. 30.	Yield per cent.	1901.	
					Jan. 1 to Aug. 30.	Highest. Lowest.
T £ 1,892,150	*Glasgow and South Western	4	126 @	£ 3 3 0	d. 0	130 — 124
T 1,555,941	" " No. 2	4	125	3 3 6	6	129 — 124
T 285,000	" " 1888	4	123	3 4 6	6	126½ — 123
T 543,000	" " 1891	4	122	3 5 0	5	127 — 122½
T 1,008,000	*Great Central, Perpetual 1862	5	128	3 16 9	31	135¼ — 125
1,100,000	" " "	4	101	3 15 9	6	103 — 95
1,000,000	" " Convertible 1872	5 and nil	100	...	5	115 — 99
1,080,000	" " Convertible 5% 1874	nil	80	nil	5	100 — 77
1,500,000	" " Convertible 5% 1876	nil	70	nil	5	87½ — 65
1,000,000	" " Convertible 5% 1879	nil	60	nil	5	79½ — 59½
1,380,000	" " Convertible 5% 1881	nil	55	nil	60	68 — 55
1,500,000	" " 4% 1889	nil	42	nil	7	53½ — 39
2,230,000	" " 4% 1891	nil	37	nil	42	50 — 36
3,100,000	" " 5% 1894	nil	31	nil	6	40½ — 29
C 5,041,708	*Great Eastern, Consolidated	4	121	3 4 9	4	128½ — 120½
C 2,625,000	" (Redemption) 1886	4	120	3 5 3	3	127½ — 120
C 700,000	" 1881	4	120	3 5 3	3	126½ — 119
C 1,500,000	" 1884	4	120	3 5 3	3	127 — 118½
C 750,000	" 1887	4	120	3 5 3	3	126 — 121
C 1,250,000	" 1888	4	120	3 5 3	3	126 — 119½
C 1,365,000	" 1890	3½	104	3 5 9	7	111 — 103
C 1,500,000	" 1893	3½	103	3 6 3	6	109¾ — 104¾

(T) Trustees' Stocks.

(C) Chancery Stocks.

* Forged Transfers Acts adopted.

PREFERENCE STOCKS AND SHARES—continued.

EXPLANATORY OF STOCKS, ETC.

Present Amount.	Name.	Per cent.	Price Aug. 30.	Yield per cent.	1901. Jan. 1 to Aug. 30.
£				£ s. d.	Highest. Lowest.
C 593,556	*Great North of Scotland, A.	4	115 @ 20	3 7 9	121½—114
C 405,000	" " B.	4	110 " 15	3 10 9	115—114
T 12,819,520	*Great Northern, Perpetual.	4	122 " 5	3 4 0	131½—122
T 2,439,980	1896	3	90 " 3	3 4 6	98½—90
T 11,826,683	*Great Western, Consolidated	5	158 " 61xd	3 2 3	166½—159½
400,000	*Highland, Class 'B'†.	5	123 " 5	4 1 0	125—125
515,000	*Highland†.	4	93 " 5	4 5 6	96½—93½
585,000	Hull, Barnsley and West Riding.	3½	90 " 5	3 14 9	98½—89
T 22,676,900	*Lancashire and Yorkshire, Cons.	3	96 " 9	3 0 6	101—96
T 6,190,315	*London, Brighton and South Coast	5	152 " 5	3 4 6	162½—152½
T 2,282,000	2nd Cons.	5	149 " 52	3 5 9	160—148
6,686,184	*London, Chatham and Dover, Arb.	†	98 " 100	2 19 6	115½—98
869,532	" " 2nd Pref. 4½%	nil	65 " 9	nil	86—61½
T 23,080,620	*London and North Western, Cons.	4	129 " 32	3 0 6	136½—128½
T 8,944,991	*London and South Western, 1881	4	128 " 31	3 1 0	134½—126½
T 1,999,836	" " 1884	4	126 " 9	3 2 0	132½—127
T 4,819,802	" " "	3½	110 " 13	3 2 0	116½—109
T 400,000	*London, Tilbury and Southend	4	122 " 5	3 4 0	126—121½
X 2,502,038	*Metropolitan, Perpetual	4	112 " 16	3 9 3	118½—111
X 350,000	" . . .	4½	112 " 17	3 13 0	121—112½
X 150,000	" . . .	3½	95 " 100	3 10 3	105—94
X 100,000	" . . .	3	85 " 90	3 7 0	92½—85

(†) Trustees' Stocks. (c) Chancery Stocks. * Forged Transfers Acts adopted.
 † Dividends contingent on the profits of each separate half-year. † Last two divisions 4½ and 1½ % per annum.
 (x) These Securities are by some regarded as Trustees' Stocks, but as doubt exists they are not so marked.

BRITISH RAILWAY FINANCE

PREFERENCE STOCKS AND SHARES—continued.

Present Amount.	Name.	Per cent.	Price Aug. 30.	Yield per cent. <small>dividend</small>		1901. Jan. 1 to Aug. 30.
				£	s. d.	Highest. Lowest.
1,500,000	Metropolitan District, Extensions	5†	55 @	65	nil	70½—49¾
T 47,267,949	*Midland, Perpetual	2½	79 "	81	3 1 9	82½—78¾
C 3,850,198	*North British, Consolidated No. 1	4	121 "	4	3 5 6	126½—120½
C 2,422,485	" (Edin. and Glas.)†	4½	131 "	6	3 7 3	138½—132
C 387,370	" 1865†	5	145 "	50	3 7 9½	152¼—147½
C 418,505	" Convertible 1874 .	5	145 "	50	3 7 9	151½—145
C 2,290,889	" N.B. 1875	4½	131 "	6	3 7 3	138—132
C 604,888	" N.B. Convert. 1875	4½	131 "	6	3 7 3	138½—132
C 605,728	" N.B. Convert. 1879	5	145 "	50	3 7 9	151—145
C 574,114	" Convertible 1884 .	4	120 "	5	3 5 0	127½—119
C 1,000,854	" N.B. Convert. 1890	4	120 "	5	3 5 0	127½—118¼
C 1,477,652	" N.B. Convert. 1892	4	120 "	5	3 5 0	128½—117¼
C 2,138,709	" N.B. Convert. 1897	4	120 "	5	3 1 6	134½—126½
T 13,321,227	*North Eastern	4	127 "	30	3 6 3	141—133
T 2,172,580	*South Eastern, Consolidated .	4½	132 "	7	3 7 0	158—147¾
T 2,640,820	" Vested Companies	5	147 "	50	3 5 6	126—118
T 719,175	" 1891 .	4	118 "	23	3 6 3	109—102
T 299,000	" 1893 .	4	117 "	22	3 6 9	94½—86½
T 944,000	" 4% Conv. Pref. .	3½	103 "	6	3 7 0	107½—102
T 2,440,000	" Taff Vale .	3	86 "	90	3 7 9	120—115
T 2,000,000		20/	105 "	9	...	
T 2,109,311		4	113 "	18		

* Forged Transfers Acts adopted.

† Nil last two half-years.

(c) Chancery Stocks.

(T) Trustees' Stocks.
† Dividends contingent on the profits of each separate half-year.

EXPLANATORY OF STOCKS, ETC.

In addition to the ordinary stocks pure and simple, there are, as I have said, preferred ordinary and deferred ordinary, which have been created by the splitting or duplicating of the ordinary stock itself. When dividends are declared it is the usual practice to declare it on the ordinary dividend, and then mention the relative amounts for the two classes. In some cases the ordinary has been split into £50 of preferred ordinary, bearing a certain interest, and the same amount of deferred ordinary, which are entitled to take whatever may remain after the dividend on the preferred has been paid. Other companies have duplicated their stock—that is to say, instead of dividing it into equal portions of £50, £100 of preferred and £100 of deferred have been issued, which is nothing more or less than watering the capital. The Scotch companies have had a partiality for the latter method, and amongst the English companies the Midland has followed their example, the interest on the preferred ordinary of which is fixed at $2\frac{1}{2}$ per cent. The South Western ordinary stock has likewise been duplicated, the preferred being entitled to 4 per cent. out of the profits available for distribution. The Great Northern, on the other hand, stands by itself. For each £100 of original ordinary stock there was issued in 1890 (*a*) £75 of a 4 per cent. preferred ordinary, and (*b*) £50 of a deferred ordinary. In this manner the capital was increased as much as 25 per cent. Besides these two classes of stocks, the company has issued £1,159,275 of both 'A' and 'B' stock, representing £2,318,550

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of ordinary stock. The 'B' stock is entitled to a cumulative dividend of 6 per cent., and the 'A' stock to the balance.

The 'A' and 'B' stocks were originally issued as half-shares of each denomination under a special Act of 1848, the amounts then being £12 10s. each. Under that Act the 'B' half-share was entitled to 6 per cent. in preference to the 'A,' whilst it was also provided that the interest on the 'A' and 'B' together should not exceed the amount paid on the undivided shares. It was held by the Court that the 'B' half-shares were, in fact, entitled to a cumulative dividend of 6 per cent. in preference to the 'A' half-shares, so that if the profits of any one year were insufficient to meet the 6 per cent., the deficiency would have to be met out of the profits of subsequent years. The option to divide the original shares in this way expired in 1861, and the amount of ordinary capital now existing in this form represented by the 'A' and 'B' stock is the sum I have already mentioned. Under the Act of 1890 the company obtained powers, though they have not been exercised, to convert the existing £1,159,000 of 'A' and 'B' stocks into proportionate amounts of preferred and deferred stocks. The proportions would be £150 of 4 per cent. preferred ordinary for each £100 of 'B' stock, and £100 of deferred for each £100 of 'A' stock. As this would practically entail a loss on the holders of 'B' shares, the latter are not inclined to exchange. Another peculiarity of the Great Northern Company is that it made the conversion of its

EXPLANATORY OF STOCKS, ETC.

ordinary into preferred and deferred stock compulsory, whereas in the cases of other companies which have created these two classes of stocks the conversion is optional.

In purchasing ordinary stocks investors should take care to see what proportion of the capital is in the form of debenture and preference stock, for if that is heavy and disproportionate, it makes the ordinary more risky, whereas if the ordinary stock represents a considerable amount, say, 40 per cent. and more, it is less risky and less liable to fluctuations in dividends. In the course of this work I shall give the proportionate amounts of capital of some of the leading companies, so that they may be seen at a glance. The positions of the debenture and preference stocks are, of course, dependent on the margin of revenue behind them. Where the margin is large the security is good. That goes without saying, and hence the prospect of default is remote. None of the debenture stocks of our principal railways can be said to be in an insecure position, though the same cannot be said of the preference stocks, especially in the cases of the Great Central and of the London, Chatham and Dover.

As is well known, every half-year our railway companies issue their half-yearly reports, and these are a great boon to investors, as well as a good guide to them in ascertaining the positions of the companies. It is true that they do not give as much detail as they might, but they give a great deal of useful, practical information, sufficient to

BRITISH RAILWAY FINANCE

enable us to form a good working idea of what they are doing and likely to do. All the reports are published on a similar plan, in accordance with the Regulations of Railways Act, 1868. They give the amount of the capital, earnings, expenses, and charges, with a statement of the train mileage. They give no information, however, respecting the average receipts per passenger per mile and per ton of freight per mile, nor any particulars as to the ton or passenger mileage, the train-load, the car-load, or the length of haul. Therefore there is still room for reform in this respect, as well as in the administration of the railways, though it is to be feared that the one is as remote as the other, unless the shareholders take the matter in hand more vigorously than they have done in the past, of which there seems little hope at present.

CHAPTER IV

MARKET INFLUENCES

THE home railway market, like the other markets, is influenced in a great variety of ways, and it is impossible to draw up any code of rules, regulations, or conditions to which it invariably conforms. Looking at it from what appears to be a common-sense point of view, it ought to be regulated solely by intrinsic merits, and those merits ought to be estimated by the performances of the individual companies and their prospects. This is not so, however, and instead the market is influenced by a complexity of causes and circumstances, and these causes and circumstances repeat themselves from time to time under various aspects and in different guises, and though an observer may predict the effects of them, in accordance with the teachings of experience, still, his predictions may frequently be falsified, for the law of cause and effect on the Stock Exchange is not as fixed and rigid as it is in other of Nature's phenomena. As I have said in my book on 'How to Speculate in Mines,' temperament undoubtedly exercises a most potent

BRITISH RAILWAY FINANCE

influence, and what is there less dependable than the temperament of man? Moreover, to make the problem still more complex and difficult, it is not dependent upon the temperaments of a nation, but often upon the temperaments of many nations, for though we may be able to foresee how we ourselves may act under given conditions and circumstances, those conditions and circumstances may be affected and modified to a considerable degree by the actions of our neighbours, or by events in the United States. It is, therefore, impossible for any man, however experienced he might be, to draw up a code of laws to which speculation and investment, in their manifold phases, will invariably conform, for the complex temperaments of man will ride rough-shod over them, and make them utterly impotent in their workings.

We often read in our newspaper articles of one market reacting upon another, or of one market sympathizing with another, and this is an influence that should be calculated on. This most frequently has its source in temperament. There may come a time when the Stock Exchange is in a very cheerful mood for some reason or other, and in consequence we hear of the mining or other markets being very active. The home railway market is said to 'sympathize with this activity'—that is to say, the cheerfulness spreads to home rails, and they feel the reviving effects. It is nothing more or less than pure sentiment, and is not stronger than sentiment, as a rule; hence it soon weakens, or is soon exhausted, and indifference and collapse come.

MARKET INFLUENCES

There is no accounting for this ; it comes often as suddenly as a bolt from the blue, and very frequently without any rhyme or reason. It is nothing more or less than a mood, and, like all moods, it is temporary, and if we wish to take advantage of it by speculating in home rails or any other class of share, we should not forget its temporary character, and make our calculations accordingly. That is what experience teaches us—to know and to foresee the moods of the Stock Exchange, and to benefit from them just as we would benefit from the moods of an individual or from a maiden aunt or a bachelor uncle, who can perform an act greatly to our advantage if we consult and humour their idiosyncrasies. Therefore, whenever a feeling of cheerfulness comes over the Stock Exchange, which our newspapers will always announce or our brokers tell us, we may be sure of active times—they may be as long as weeks or as short as moments—and we should accordingly take immediate advantage of them. The mining market may be the first to feel the effects of it, but we are almost sure to hear of other markets sharing in sympathy with it ; and being sure, therefore, that prices will rise, we become bulls, and make our profits by bulling operations.

On the other hand, there are times of reaction ; there are times when the market is in a despondent mood, and when each department sympathizes with the other in the doldrum spirit. These moods must be studied and taken advantage of. It may be because of a corner in American rails, or it may be

BRITISH RAILWAY FINANCE

because of a collapse in the mining market. None of these sections may be depended upon to share their misfortunes and griefs in private ; everybody else must share them, and everybody else feels their absolute inability to resist this feeling of sympathy. Losses are made by investors and speculators in the mining or other markets, and to make good those losses these people sell their holdings in home railways, or their industrial shares, or their Government securities, and this selling naturally depresses prices. At that time, too, the public (speculators and investors alike) are not encouraged to buy ; hence the supply of shares on the market is greatly in excess of the demand, and the law of supply and demand operates with its usual consequences here as it does elsewhere. Prices slump, in the parlance of the Stock Exchange, and it may be a long time before they recover, and, on the other hand, it may only be a short time ; it depends upon the conditions prevailing at the moment. Therefore, you cannot lay down any scientific law, and say precisely to what degree, or for how long a time, it may act or continue to act, and experience only can help us to judge of its uncertain phases and effects.

International politics have, of course, a commanding influence upon the Stock Exchange, and home rails are affected by them equally with other markets. A study of international politics is, therefore, essential to successful investment and speculation. In times of peace, when all nations are apparently in accord with each other, and the relations between them are friendly, then the Stock

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Exchange pursues its normal course, uninfluenced by the political outlook, except it be favourably ; but let there break out a quarrel or possibility of a quarrel, such as we have experienced from time to time during the past five or six years, then the Stock Exchange becomes nervous and excited, which, of course, is only a reflection of the nervousness and excitement of the nation itself. Everybody is anxious to sell his investments in order to get solid cash for them, solid cash being a better security than paper that might depreciate into worthlessness in the event of a war breaking out. Thus at such times there are more sellers than buyers, the buyers being those speculators and wide-awake people who have studied these events and their potentialities, who have learnt to gauge their possibilities, and who are able at such times to reap the reward of their studies. They may see that the quarrel is not serious enough to lead to any such calamity as war. They may feel sure that the statesmen and the nations themselves may be averse to war, and that therefore no effort will be spared to adjust the quarrel or to put an end to the misunderstanding. They know that the unreflecting will surely be scared, that they will sell, and that prices will consequently fall. Thus this is their great opportunity, and they do not hesitate to seize it. Many of these opportunities have presented themselves during recent years, and the reflecting and the experienced ones have greatly profited from them ; and as many such opportunities will recur from time to time in the future, they

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would be wise who would learn this lesson from experience. Nor is it so complicated and profound a study as the study of individual and collective temperaments, for in affairs of this kind the counsel of reason and wisdom has a more potent voice. Statesmen are not, as a rule, carried away by passion, by impetuous emotion; and though they may be influenced by fear, that fear will be a safeguard, for it will advise cautiousness, and thus be a restraint upon any unreflecting action. Speculators and investors, therefore, must calculate from their past knowledge and experience of statesmen to what degree they are likely to allow their conduct to be directed by reason. They must make a study of their characters, and so in proportion to their insight and intuition into these will their success in speculation and investment be. The value of money ruling in the open market is a further powerful influence on market conditions; for if money is cheap, and is likely to remain cheap for an indefinite period of time, it is an inducement to speculation. Moreover, it removes many fears and anxieties, and thus helps to impart a cheerful tone to the market. Cheap money is often evidence of dulness in trade, and when trade is dull, and the opportunities for the profitable employment of capital are thus restricted, the temptation to employ it in other directions, especially in speculation and investment, are the more irresistibly tempting.

And yet this is an influence that is far from invariable in its effects, for it may be rendered

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impotent by other influences that negative its power. At the moment of writing money is very plentiful and cheap, and it is likely to remain in that condition for a long time, as far as it is in human power to foresee. A great deal depends upon the course of the war, and of its further prolongation. If it does not come to an end for many months hence, money will be dearer than if it came to an end at once, for, notwithstanding a possible revival in trade, with all its monetary requirements, that would be more than neutralized by the abundance of gold that would be poured into this country from the impulse that would be given to gold-mining, especially in South Africa; for once the mines get into normal working again, we shall have to estimate the value of the gold output by the million. But the prolongation of the war, and the uncertainty of its date of termination, are opposed to the usual effects of cheap money, and the latter's ease continuing. The outlook for our railways, as I have endeavoured to show, and as I shall try to demonstrate still more impressively throughout these pages, is not a bright one. Nevertheless, in spite of this, and in spite, too, of the continuing decline in the weekly traffics, which makes the immediate prospects gloomier still, we should be sure to witness on the termination of the war a more cheerful tone in home railway stocks, and consequently higher prices. This would have no regard to intrinsic merits, therefore; if it did, prices would not appreciate, or, at least, they should fluctuate only within very narrow limits in re-

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sponse to the slightly variable changes that may be expected in home railway prospects, whether those prospects be of the bright kind or of the dark. Thus the influences are artificial, and do not obey any rigid economical law, for speculation has a supreme contempt for all Nature, except certain instincts of human nature, and holds at defiance whatever laws Nature may seek to interpose.

Speculation has, however, established a law which, though not rigid and fixed, is nevertheless a potent one. This may be called the law of cheap money and high prices. In the first place, when money is cheap and bankers find a difficulty in lending it remuneratively, they invest it in securities which will pay them better than loans. The public get dissatisfied with the low yield they are getting from their deposits ; hence they buy securities that will yield them 1, or even $\frac{1}{2}$, per cent. more, and thus a competition is set up which forces prices upwards. Furthermore, the excessive cheapness of money is a temptation to the capitalist to speculate or invest on borrowed money, so as to profit from the higher margin he will obtain between the rate he pays for the money lent him and the interest he receives on the securities he buys. When borrowers multiply, it means purchasers multiply, and thus the demand keeps on increasing, until prices go up and up through this increasing competition until they reach inflated prices, and then the reaction comes ; then money becomes dear, and investment and speculation unprofitable. Everybody is then anxious to sell, and there being few buyers and a multitude of

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sellers, prices are forced downwards, and then we hear talk of enormous losses made. It may result, as it often has resulted, in a panic, and the effects may be long-lasting. Thus the folly of buying on an inflated market, which is merely running the risk of loss and ruin. Thus the reason why dear money, or the prospect of dear money, has so great an influence upon the Stock Exchange, for they have their direct effects upon the temperaments of men. This, again, has no relation whatever to intrinsic values—in fact, intrinsic values are quite forgotten at such times. Therefore it follows that in order to invest and speculate in home rails, or any other classes of share, the money market must be studied. If money is cheap, we shall know how to act; if it is dear, we shall learn how to act in that case also. We must learn likewise how to forecast the future of the money market and study the variable and invariable influences that affect it, and those who neglect such a study will have to pay the penalty.

The state of trade, of course, has its influence on the home railway market. When trade is brisk and improving, and, therefore, likely to have a favourable effect upon the companies, we ought naturally to see a time of activity in home railway securities; but that is not always the case, reasonable as it may seem. The more prosperous trade is, the more traffic it ought to bring the companies; hence it ought appreciably to swell the receipts. Greater receipts should consequently mean larger profits and dividends, and larger profits and divi-

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dends should mean appreciated intrinsic values of railway stocks ; but this is not invariably the result. For trade activity means the scarcity and dearness of money, owing to the increased demands for it on the part of traders and commercial men, and dear money, as I have endeavoured to show, is opposed to high prices on the Stock Exchange. When money is needed for trade, those who have invested their capital in home railway securities in dull times are now in need of that money, and consequently they sell their securities in order to get it, and as this is being done throughout the country greater and greater quantities of stock are thrown upon the market, and the law of supply and demand comes into force. Prices consequently depreciate, and the opportunities of successful speculation are restricted. On the other hand, this fall in prices should be all in favour of the wideawake investor, who will be able to pick up stocks cheaply, and thus increase the aggregate yield upon them. This, however, is what he seems afraid to do. He is frightened because everybody is selling, and because he sees his capital value depreciating, not understanding the economical forces at work. Thus he suffers from his ignorance, whereas a little knowledge would enable him to reap incalculable advantages from such movements. If investors would all thus take advantage of it, it would be a resisting force to the fall in prices, and the alarm would therefore not be so great, and not have such distressful consequences. Moreover, this improvement in trade cannot be expected to be permanent,

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judging from past experience. It is merely a trade cycle. The reaction is bound to come sooner or later, and with the reaction will come cheaper money and the demand for investments, with its assured influence upon prices. Then the wide-awake investor can realize, if he so chooses, to his great advantage, after enjoying a good return on his investment for some years. He can then wait until another opportunity occurs to buy cheaply.

Another influence on the prices of home railway stock is the traffic returns which the railway companies have published weekly for a number of years. As soon as these are published, they have an immediate effect upon the market—a favourable effect if they are considered good, and an unfavourable effect if they are considered bad. These weekly statements are thus of very great importance to the investor and speculator. They are practically the only information that is given to the public during the period between the publication of the half-yearly reports. But, at the same time, it must not be forgotten that they are not infallible. They are only estimates, and are not invariably accurate, but nevertheless they are good enough to base working calculations upon. It is upon these returns that our financial papers, as well as speculators, base their estimates of prospective dividends. Sometimes, however, these calculations are sadly out, and differ materially from the final figures as reported in the balance-sheets. This is because they are approximate figures, for one thing. It is impossible to calculate them accurately, for

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there are certain items which come too late to be included in the returns, and these are merely guessed at or adjusted. Moreover, they are inadequate, inasmuch as they do not give the expenditure, and the latter oftentimes puts us greatly out in our calculations.

In this chapter I have endeavoured, to the best of my ability, to give an exposition of the influences that principally affect the market in home railway securities. They do not exhaust them all, however, for speculators put into force influences of their own, which are called 'bulling' and 'bearing,' and it is necessary to know something of these operations. Therefore I will deal with these in the next chapter, and also give further explanations which may help to the elucidation of matters not thoroughly understood.

CHAPTER V

MARKET OPERATIONS

It is well, I think, that I should here explain, for the benefit of those who are not yet initiated in these operations, and yet who may wish to be in the future, how bargains are transacted on the Stock Exchange. Great numbers of investors and even speculators are quite ignorant of this, being quite content to give their orders to their brokers, and not troubling as to the manner in which the business with which they have entrusted him is carried out. There are in the land two classes of brokers—the inside broker and the outside broker, the first meaning that he is a member of the Stock Exchange, and the latter meaning that he is no member of an accredited institution of the kind. The Stock Exchange is governed by a committee chosen from its own members, and its laws and regulations are very strict. The most scrupulous, honest and honourable dealing between its members is insisted upon, so that the public need have few qualms in engaging a member of such an institution. The committee has the power to expel or

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suspend a member for any dishonourable conduct, and as this is a terrible penalty for any member to pay, they have to walk very warily indeed. Members are also expelled when they are not able to meet their liabilities, no matter whether it be their fault or that of other people. This rule is drastic and is never departed from, and the punishment is made the more severe by the names of the defaulters being published in the House and likewise in the press, to be made widely known amongst the public. Another strict rule is that no member is allowed to advertise for business, so that those who do advertise are outside brokers, or 'bucket-shop keepers,' as they are reproachfully and satirically called.

It does not necessarily follow, however, that because a man is an outside broker he is therefore dishonest. Many are undoubtedly honest men, but, nevertheless, the public are not so strictly and guardedly protected as in the case of an inside broker. Moreover, even though the outside broker may be an honest man, he is necessarily limited in his scope of action. He cannot always do without the Stock Exchange, and his facilities for dealing are not so many and so free as in the case of him who does everything through that institution. Therefore, having commissioned our broker to buy, say, 'Berthas,' he straightway goes to what is known as the Home Railway market, which is no particular place railed off, or built off, but is merely a spot or a corner where the dealers in home rails take up their stand, and

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where they will invariably be found. There is such a section devoted to every market in the House, and therefore, instead of wandering all over the building to find someone who has 'Berthas' to sell, the broker will go straight to the place where he knows he will be certain to find the man he wants, and who will supply him with the stock. He goes to the jobber or the dealer, two words signifying one and the same class of man, and who are identical with the wholesale merchants in commerce. The broker will then ask the jobber to name a price for 'Berthas,' without telling the jobber whether he wishes to buy or sell. The jobber, of course, may refuse to give a price, but if he does, then he is bound by the rules of the Stock Exchange either to buy or sell those stocks at the broker's option. He always gives two prices, the one at which he is prepared to sell, and the other at which he is prepared to buy, and this explains why in the lists of prices which we see in our newspapers two prices are invariably given. For instance, he may answer that he makes the price in Berthas $131\frac{1}{2}$ —132, meaning that he is prepared to sell at the higher price and to buy at the lower, so that the broker, being a buyer of the shares, would have to give 132.

It will be seen that there is a difference of $\frac{1}{2}$ in the two prices, and this represents what is called the jobber's turn, or profit, and thus it would amount to a goodly sum on a big transaction. But considering that this profit is not absolutely assured to him, and that he has to run the risk of

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getting it, it is not more than the jobber is entitled to. For the prices of stocks and shares do not stand still for long, but are continually fluctuating, and the jobber has to take his chance of buying back those shares from another jobber at a price which will leave him with a profit. If he fail to do so, and has to buy at a higher price, then, of course, he has to incur a loss. Sometimes we find that there is a much wider margin in the two prices, and in such cases the market in the shares is a much narrower one, and therefore, in order to protect himself, the jobber takes less risks. In these cases the transactions are generally a matter of negotiation, such as in the case of tea shares, in which there is very little public investment. Thus, readers will at once see what is meant by a narrow and a wide margin, and what significance it carries. Sometimes in the newspapers they will see only one price given, and this is the middle price, showing to the reader that if he wants to buy, he must give a little more, and if he wants to sell, he must take a little less than the middle price given.

Therefore, having this bargain transacted for us, the broker desires to know whether we wish to pay for them in cash—that is, at once—or at the next settlement, and as very few bargains are done for cash, we tell him we will pay for the shares at the next settlement. He thereupon remits us an advice note of the bargain done, and also a contract note, in which he sets out the amount of the security he has bought, with the price at which the bargain has been transacted, the commission he charges,

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which is generally 10s. per cent. on the actual value, as distinct from the nominal value, upon which the commission is charged in the case of Government securities, the stamp duties we have to pay, and the transfer fee charged by the company. The stamp duties charged by the Government are of two kinds: For any contract over £5 in value a penny stamp is paid if the bargain is below £100, and one shilling stamp if it is in excess of that value. In addition, it charges duties on the conveyance or transfer of stocks and shares, the charge being 6d. for each £5 or part of £5 up to £25, and 2s. 6d. over £25 up to £300, and 5s. for each £50 over £300. In those cases, however, where shares have been transferred to another person in the way of a gift or for any nominal consideration, the stamp fee is 10s. for each deed. As for the transfer fee of the company, that is generally at the uniform rate of 2s. 6d. The client will duly receive the transfer form after the settlement, and from that moment his name will appear in the books of the company as the holder of the stock.

Thus it will be seen that each bargain is concluded with wonderfully little trouble, especially to the buyer or seller. The broker, for his commission, sees the whole thing through from beginning to end, and his client has little or nothing to worry himself about. It may seem to be a very complicated business to the outsider, but everything is done in so methodical a way that a hitch of any kind is scarcely ever heard of. Thus a person wishing to invest in home rails need not be

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deterred from doing so because he fears the trouble and worries of the business will be too much for him. He will have no trouble, and his only worry will be whether he has bought the right share at the right time and the right price, and though his broker may give him advice on the matter, it will not be infallible. He should not trust to brokers entirely, for he may know more than they, and though they may advise clients to the best of their ability, it may be far from the best advice he could get elsewhere. A broker is merely the medium between the public and the dealer, and there his duty ends. He is not supposed to advise, and he often does so with reluctance, for he may lose a great deal if the advice happens to be misleading. But the outside broker is always advising, for this is his method of attracting clients and extending his business.

I have spoken of the fortnightly settlements on the Stock Exchange, and this needs a little fuller explanation. Every fortnight all the bargains transacted during the account, which is the fortnightly period that runs from settlement to settlement, are settled up, the days having been fixed by the committee a long time in advance. The great bulk of the transactions on the Stock Exchange are done, as I have already said, for the next settlement. If you buy shares, you do not, as a rule, pay for them until the next settlement, and if you sell them, you do not expect to receive payment for them until then. There are four days of the settlement, the first being the carry-over day in mines ;

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the second the carry-over day for the rest of the market; the third day is ticket-day, and the last day is pay-day. On the carry-over day, which in home rails is the second day, or contango day, as it is generally called, the broker has to ascertain from us whether we wish to take up the shares we have bought or carry them over to the next settlement, and if we tell him that we will take them up, the purchase will be duly completed. But if we do not wish to take up the shares, but to carry them over, then we have to pay something for the privilege, and this is called the contango rate. Therefore, we carry over the shares at what are called the making-up prices, which are fixed at the hour of noon on that day by an official of the Stock Exchange, and we accordingly receive the difference due to us, or pay over the difference due from us.

A broker, however, is not bound to carry over the shares unless he choose, but, as a matter of fact, he always does, this being one of the unwritten laws of the Stock Exchange. The contango rates we have to pay depend upon many influences—upon the dearthness or cheapness of money, for instance, and also upon the commitments open for the rise. If money is cheap, the rate will be light, and if dear, the rate will be heavy. If the commitments for the rise are heavy, then the rate will be higher than if those commitments were limited, for there will be less accommodation needed, and therefore a less demand for money. If we do not pay for these shares ourselves, then somebody else does, and this is generally the broker or the jobber ;

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and to do this they have to borrow money from the banks, lodging with the latter the shares as collateral security, with which they have to give, in addition, a margin of not less than 10 per cent. The jobber or the broker has to provide for all this out of his contango rate, which is paid by us.

There is also a backwardation rate as well as a contango rate, the former being the fee paid by the bears or speculators for the fall, and the latter by bulls or speculators for the rise. Suppose, now, instead of buying Berthas at 132, we sold them at $131\frac{1}{2}$. But we do not possess the shares, and if we were called upon to deliver we should have to buy them at the lowest price we could. Being bears, we hope that the price will fall, for if it does we shall then be able to buy at a lower price than that at which we sold, and so make our profit. If, therefore, the price drops, we shall receive the difference from the broker, but if it rises, we pay him the difference, the one being our gain and the other our loss. We accordingly postpone delivery of the shares until the next settlement, and for this privilege we have to pay a backwardation rate. Say the rate is $\frac{1}{8}$ to $\frac{1}{4}$ per cent., which means that the buyer of the shares receives $\frac{1}{8}$ per cent., and the jobber the rest; or, in other words, we have to pay $\frac{1}{4}$ per cent., the buyer receiving $\frac{1}{8}$ and the jobber the remainder, which represents his turn. If we are bulls, we have, as I have said, to pay a contango rate for the privilege of postponing payment for the shares we have bought. Say the contango rate on Berthas is $\frac{1}{8}$ to $\frac{1}{4}$ per cent.,

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then we should have to pay the higher rate; the bear would get the lower and the jobber the difference. When we read of $\frac{1}{8}$ per cent., or any other figure, contango to $\frac{1}{8}$, or any other figure, back, it means that the bull pays $\frac{1}{8}$ per cent., and the bear $\frac{1}{8}$ per cent. when carrying over, whilst $\frac{1}{8}$ contango to even indicates that the bull pays $\frac{1}{8}$ per cent. to the jobber, and the bear carries over at even, or, in other words, the latter has nothing to pay for the accommodation. As a rule, the bulls greatly outnumber the bears, so that we very rarely hear of a backwardation rate being charged. Sometimes they happen to balance each other, and when this is so, we hear that certain stock has been carried over 'even,' meaning, of course, that no interest has had to be paid in the way of rates.

The second day of the settlement—or, rather, the third day—is ticket-day, and is so called because on that day the broker prepares a ticket giving the buyer's name and address upon it, which is handed over to the selling jobber. These tickets pass from hand to hand until the actual buyers or sellers are found, so that the transfer deed may be completed.

The last day of the settlement is called pay-day, and, as it indicates, it means that actual payment is made on that day, when stocks are delivered to the buyer. In this connection 'buying in' and 'selling out' come in, and need some explanation. The process known as 'buying in' is the means by which a buyer of stock enforces delivery on the part of the seller in carrying out his contract, and this is a risk, of course, which bears have to face. Ten days'

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grace is usually allowed, and if the shares are not delivered during that time, the broker then requisitions the official broker of the Stock Exchange to buy the stock. He accordingly bids for it, and all differences and expenses have to be met by the seller. If, on the other hand, the bull or the buyer does not complete his purchase, the official broker sells his stock to the highest bidder, and the differences and expenses are paid by the bull. This is known as the process of 'selling-out.'

Now, a great deal of speculation on the Stock Exchange is done by means of options, and now and then we hear of the market being affected by means of maturing options. The general public do not understand the meaning of this, or, at any rate, the average man has but a faint conception of it, and as this option dealing is a phase of speculation which he should try and understand, I will endeavour to explain to him the rudiments of it, and if he wishes to study it still more deeply, he will be able to do so from the books that have been published dealing solely with this subject.

The word 'option' on the Stock Exchange means the right to buy or sell a certain amount of stock or shares at a certain date, at a specified price agreed upon when the bargain is struck, for which privilege a certain consideration is given. Thus they are dealt in for the purpose of limiting a possible loss to the actual amount paid as option money, which is so much per share when dealing in shares, and so much per cent. when dealing in stock. There are single options and double options,

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the single option being either the 'put' or the 'call,' and the double option the 'put' and the 'call' together, or the 'put of more' and 'the call of more.' The word 'call' means the right to buy on a given day a certain amount of stocks or shares at a price fixed upon, and the 'put' the right to sell, whilst the 'put and call' together means the right to purchase or sell these stocks or shares as we desire. The 'call of more' means the right of calling a further like amount of stock at the same price at which we have exercised the 'call,' and the 'put of more' the right of putting or selling a further like amount at the same price.

I may add that the committee of the Stock Exchange recognise the legality of option dealing in stocks and shares, provided that the option period does not exceed two accounts beyond that for which bargains are being currently made ; but they will not legislate upon any dispute arising from an option transaction done for a longer period, nor can a claim be made against a defaulter's estate in respect of any such unrecognised bargain. Nevertheless, in practice options for two or three months, and sometimes even for a longer period than that, may be negotiated on the Stock Exchange. It may be thought by the uninitiated that the 'cover' system of bucket-shop keepers, by means of which they try to attract clients, is nothing more or less than the option dealing I have been explaining. It is not so, but is a different method of dealing altogether, in which the operator is much less protected against fraud and dishonesty on the part of these

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outside brokers. In their option dealings on the Stock Exchange the public are protected by the rules, but these protective measures are not always guaranteed in our dealings with bucket-shop keepers and their numerous votaries and followers. The latter will tell you how to make your fortune in an incredibly short time by some infallible system of theirs, but it is strange that they do not employ the system to make their own fortunes, or else they would not go to the expense and trouble of advertising in order to get their living out of it.

Option dealing is a complicated business, and needs not a little study thoroughly to understand it and to work upon it successfully. It cannot be explained adequately in the limited space I could give to it in this work, and therefore it would be better to leave elaborate illustrations alone. I may simply say that when we buy a 'call' of Berthas or any other stock, we do so because we feel hopeful that during the period through which the option will run the stock will rise to a sufficient extent to enable us to make a profit, or if our hopes are disappointed, then we shall know that our loss will be limited. If we think the price of the stock is sure to fall, owing to the uncertain outlook, then we purchase the right to sell the jobber so much stock at the end of a certain time, but if the price goes up instead of down, we make no profit, and all we lose is the option money we have paid, plus any contango or backwardation rates we may have had to pay. Thus, if a stock stands at 50, and the estimated rate of interest in contango upon that

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stock is 4 per cent., we must add on $\frac{3}{24}$ of 4 per cent. if dealing for three accounts ahead, bringing the price up to, say, $50\frac{1}{4}$, and so on, adding $\frac{1}{24}$ for each account over which the option period extends. In the case of a backwardation the estimated amount of backwardation for the future period would be deducted from the present price when fixing the option price for that period.

CHAPTER VI

SOME EXPLANATIONS

To the average man, who has been too timid to invest or speculate on the Stock Exchange, everything connected with it is mysterious, and can be understood only by those who have been secretly initiated into its dark and devious methods. The money or the stock article in the newspapers is, therefore, absolutely incomprehensible to most people, and they can no more understand it than if it were written in a foreign language. All its dry and uninteresting details are repellent to them, and yet, they may be surprised to hear, it has in many ways a vital concern for them. Seeing that they do not put their savings nor their capital into old teapots, but bank it, it surely ought to be of paramount interest to them to know, not only how their money is being employed, but how it is likely to be employed, and what security they have of its absolute safety. This, however, does not seem to occur to them. They are afraid to invest their money themselves, and so they bank it, having some vague idea that the money is put into iron

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safes, and kept there until it should please them to ask for it again. They receive interest on this money—a very small interest—but, still, sufficient to satisfy them so long as they can feel sure that the capital is safe, just as safe as though they kept it in some secret recess in their house, and could look at it now and then to make sure that it had not mysteriously vanished. It does not occur to them that the banks have to earn this interest, and more than this interest, in order to make a working profit. Nor does it occur to them that though they may be afraid to speculate with it on the Stock Exchange, the banks employ it in that way for them, even in those terribly risky things, mining shares, and, that being so, it ought to be of deep concern to them to know something of the methods of its employment. If they lent the money to a friend or an acquaintance to lay out for them, say, in business, they would want to know nearly every minute of the day how the business was going on, or, in other words, how safe the money was which they had lent. It is true that the money is safe in the bank, almost as safe, indeed, as in an old stocking, provided it is put far away from possible burglars or thieving servants, but there are such events as panics and runs on banks, and such incidents greatly endanger the security of the money we have deposited in the keeping of the bank. No matter whether these be of infrequent occurrence or not, they are possibilities, and as possibilities they must be taken into account, and we can often gauge those possibilities by studying

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what by a superficial glance seems to be the dry and uninteresting jargon of the money market.

To understand it thoroughly, or, rather, to understand it with sufficient intelligence to be of practical use to us, will not need any excessive labour, profound, subtle, and intricate though it seems to be. We all wish to invest our money to the best advantage, and even though we may bank it, we cannot feel satisfied with the small interest we get, especially when we know that Tom Jones, our next-door neighbour, gets a far larger return on his investments in railway debentures or preference stock, or in some sound industrial or mining share. Indeed, the money invested in a sound first-class railway, industrial, or mining security, may not only give a higher yield, but be far more safe than in a bank ; for, as I say, we cannot foresee what may ultimately happen to that bank, for a run may wreck it, and we may find our capital irretrievably lost in the wreckage, whereas there is not so much mystery attached to a railway debenture, and we have better opportunities of studying its intrinsic merits from time to time. But the transactions of a bank are necessarily mysterious. It may be managed recklessly, and we shall have no means of finding out until the collapse comes. Therefore the study of the money and stock markets may be a most profitable study for us if we would but take the preliminary trouble to understand it. There is no doubt, however, that increasing numbers of people recognise, or are beginning to recognise, its deep interest and concern for them. The ranks of

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investors and speculators are being added to day by day, and this is not an unhealthy sign, provided their actions are directed by wisdom and reason.

If they invest in railway shares, it is a great help to them to know what the price of money is in the open market, and whether it is likely to be scarce and dear, or plentiful and cheap, in the near future, for they can greatly profit and avoid losses by putting this knowledge to a judicious use. Therefore it would be of help to them to study the course of the exchanges, and to know what effect they are likely to have on the money market, and thus indirectly on the stock markets. The weekly returns of the Bank of England should be read and understood, in order that we may calculate whether the Bank rate is likely to go up or down, and thus have an indirect effect upon the open market and the tone of the Stock Exchange. Furthermore, the monthly Board of Trade returns are of very great importance, as giving us evidence of the state of trade, from which we may draw our deductions of its prospects, and therefore of the effects of trade upon the traffic of the railways. Considering, therefore, how deeply every phase of the money and stock markets concerns us, it is almost incomprehensible, if we did not know something of the strangeness of human nature, how capitalists, men who have money to invest and are anxious to invest it to the best advantage, look askance at the money article in the newspapers, and regard it as so much dry 'rot.' In that respect Englishmen differ greatly from the French, who invest, from the poorest to

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the richest, in all sorts of undertakings, and are even intrepid enough to put much of their money into foreign securities, which the average Englishman would as lief think of doing as of giving his money in charity to the poor around him. And yet the guileless man does not know that much of his money is invested in all sorts of foreign securities and insecurities, and if he only knew it he would not sleep easy at nights, owing to lurid dreams of disaster and ruin.

I cannot undertake to explain in this work all the features of the money and stock markets which I have mentioned. It would be too great an undertaking, and, moreover, would be going beyond the scope of my task. To deal with them adequately would need a volume larger than the one I am now writing, and as I have written an exhaustive work on the subject which will shortly be published, I must refer readers to a fuller exposition of the subject there. There are one or two matters, however, which I may explain in this chapter with brevity and yet with clearness.

For instance, in the lists of prices given in our newspapers, we often see the letters ex. d., ex. r., ex. new, cum div., cum rts., etc., and there is no doubt that these are often a source of perplexity to the ordinary man. Briefly, therefore, it may be explained that ex. d. means exclusive of dividend; ex. r., exclusive of rights; ex. new, exclusive of new shares; cum div., inclusive of dividend; and cum rts., inclusive of rights, etc. That is to say, if we buy shares or stock that are quoted ex. d., we are not

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entitled to receive the dividend that has recently been paid upon them; but if the shares are quoted cum div., then we are entitled to the dividend. We may take it, however, that when a share is not quoted ex. d., we are entitled to the dividend, it being understood that they are cum div. The moment that any share is officially quoted on the Stock Exchange ex. d., even though we may buy them a few moments afterwards, we are not entitled to the dividend; but as the amount of the dividend is immediately deducted from the price of the stock, we really get the equivalent of it by buying the stock at a lower price. As time goes on, however, the price improves again, owing to the dividend accruing, and when we buy the stock later on, we buy it with the accrued dividend—that is to say, if it paid a dividend of 5 per cent. and is likely to pay a similar dividend at the end of the next twelve months, then at the end of six months $2\frac{1}{2}$ per cent. is added to the price as the value of the accrued dividend. So when we read of accrued dividend in our stock articles, we shall know in future what it means.

Sometimes a company is issuing preference shares, or offering the shareholders certain privileges which may ultimately be of value to them. Such a privilege may be the offering to them *pro rata* of an issue of new shares before offering them to the public. Or the company may be increasing its capital by a further issue of shares, giving the shareholders the chance of taking them up at a price much below the market price ruling at the

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time, so that they may immediately sell them at a profit if they choose. Thus they carry for a time this valuable right, or privilege, to which a buyer is entitled if he buys before they are quoted ex. new. But from the moment they are thus quoted he is not entitled to them, and the seller of the shares retains them.

I have decided to explain, after all, something of the money market, for it is of so much importance that a book of this kind would be imperfect if no explanations were given, however brief they might be. I have already said that when we deposit money with bankers that money is not allowed to remain idle, but that the banks use it in all kinds of ways, in order to earn profits upon it. One of the principal methods of employment is in discounting bills of exchange. But this discounting of bills does not concern the investor in home rails, except in its effect upon the price of money, for money has a price in the market, just as other commodities have, and bankers lend it out to merchants and bill brokers at interest. Our money articles tell us what this rate of interest is, or at what rates the banks are discounting bills or lending money on the best security. If money is plentiful and exceeds the demand, then the banks can only demand a small interest, and merchants get their bills discounted at a cheap rate, and bill brokers and all other people who want to borrow money can do so on easy terms. On the other hand, when money is scarce—which the banks naturally prefer, because it brings them larger profits—we have to

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pay a greater discount for the money we borrow, or, in other words, we have to give the banks a higher rate of interest. Now, the discount rate is often—indeed, it might be said that it practically is—regulated by what is called the Bank rate—that is to say, the rate of discount at which the Bank of England is prepared to lend money on bills of exchange, or other securities, which rate is always a little higher than the open market rate. And the Bank of England rate is regulated by its reserve—that is to say, by the total sum of money it has in its coffers to pay against the money that has been deposited with it. When that reserve is low, then money will be dear, for it would be imprudent for the Bank to run any risk of seeing it get lower still, for it contains all the available solid cash there is in the country against the mountainous mass of credit on which all our daily transactions are based. If the reserve is high, say between 40 and 50 per cent. of the deposits, then the Bank rate will be low and money will be cheap, and cheap money will assist speculation on the Stock Exchange. The Bank rate, too, is regulated by the condition of the foreign exchanges, and the foreign exchanges are dependent upon a great variety of influences, which it would be useless for me to attempt to enumerate here. Suffice it to say that they are regulated chiefly by the indebtedness of one nation to another, which indebtedness is repaid by means of bills of exchange, and when bills of exchange are scarce, then by the shipment of money from the debtor country to the

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creditor country. Other means of liquidating debts are by sales and purchases of stocks or other securities. Thus this country may owe America a vast sum of money for corn and wheat, for part of which we may have paid by exports of merchandise. But if this is insufficient, the Americans buy some of their railway stock off our market, which reduces our indebtedness, and then, if that is insufficient, we have to ship gold to the United States. All these movements have to be watched by the Bank of England and the money market, for if gold has to be shipped, it has to come out of the reserve of the Bank, and as the Bank does not relish this operation, it adopts means to protect this reserve, and there can be no means more effective than by raising the rate at which it will sell the gold, and accordingly we hear that the Bank rate is raised. But besides checking the export of gold, this raising of the rate has another effect, and that is to draw money from other countries to this country, simply because it can be invested at the higher rate of interest that will be ruling here, and thus in time our monetary resources will be gradually increased and money become plentiful and cheap again.

Thus it will be seen, I think, even from this very brief explanation, what an important influence the conditions of the money market and the rates of exchange have upon investment and speculation on the Stock Exchange, and therefore it would be wise not to ignore them. In order that the reader may more clearly understand what the reserve of the Bank of England is, I will explain the items of

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the weekly return, so that in future he may have no difficulty in understanding them himself. The following is the return for the week ending August 28. I may explain that the return is issued every Thursday, on which day the Directors of the Bank of England meet, the week ending on the Wednesday evening previous.

An account, pursuant to the Act 7 and 8 Vict., cap. 32, for the week ended on Wednesday, August 28, 1901.

ISSUE DEPARTMENT.

Notes issued . . .	£55,131,145	Government Debt . .	£11,015,100
		Other Securities . .	6,759,900
		Gold Coin and Bul-	
		lion	37,356,145
		Silver Bullion . . .	—
	<hr/>		<hr/>
	£55,131,145		£55,131,145

BANKING DEPARTMENT.

Proprietors' Capital .	£14,553,000	Government Securi-	
Rest	3,556,382	ties	£16,389,417
Public Deposits (in-		Other Securities . .	25,649,846
cluding Exchequer,		Notes	25,411,975
Savings Banks,		Gold and Silver Coin	2,054,102
Commissioners of			
National Debt, and			
Dividend Accounts)	9,245,600		
Other Deposits . .	42,013,553		
Seven-day and other			
Bills	136,805		
	<hr/>		<hr/>
	£69,505,340		£69,505,340

J. G. NAIRNE, *Deputy Chief Cashier.*

Here we find there are two departments of the Bank of England—the Issue Department and the

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Banking Department, the former being concerned with the issue of notes only, and the latter being the ordinary banking department for the transaction of business like any other bank. The notes it has issued, then, amount to the sum of £55,131,145. Now, the securities for these notes are given opposite—namely, Government Debt, Other Securities, and cash. The Government Debt represents securities, such as Government stock, against which the Bank has authority to issue notes, and this sum is an invariable one. The Other Securities formerly belonged to banks which used to issue notes, but have long forfeited their rights to do so, and the Bank of England has taken a portion of those rights. This item likewise seldom changes. These two items, then, represent what is called the authorized note issue of the Bank, and every note it issues above that must have solid cash for its security. And this is really the reserve, though the reserve is stated in the return of the Banking Department. In the latter the item Proprietors' Capital means that this is the capital of the Bank, just like the capital of any other bank or institution, and Rest is the Bank's Reserve Fund, or the profits which it has earned on its business, and which is never allowed to go below £3,000,000, the surplus over this sum being regarded by the directors as the amount available for dividend. The next item, Public Deposits, explains itself, and represents the amount standing to the credit of the Government, including, as it says, Exchequer, Savings Banks, Commissioners of National Debt, and Dividend

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Accounts. The next item, Other Deposits, represents the deposits of the public, not only the money that has been deposited by the Bank's own customers, but also all the money deposited by the other banks, who, in their turn, deposit with the Bank of England. Banks do not keep reserves of cash themselves as against their deposits. They keep just sufficient in hand, called till-money, to cover day to day requirements, and a portion of the remainder—a very meagre portion as a rule—they deposit with the Bank of England, which has thus come to be recognised as the Bankers' Bank. The last item on the liabilities side represents the Bank's holdings against short bills, for the Bank does a little bill discounting itself, though only to an insignificant extent compared with other banks. Turning to the assets side, the first item is Government Securities, and this represents the amount the Bank has invested in Government securities, or the amount the Government has borrowed on its own securities at times of need, when it hasn't sufficient money with which to meet its immediate liabilities. The Other Securities represents the amount of money that has been borrowed from the Bank by the bill-brokers or by banks, against which they have deposited securities. An increase in the sum indicates that the market has increased its indebtedness to the Bank, and that money rates are likely to be high for a time, whilst a decrease is evidence that the loans have been repaid, and therefore that there is less stringency in the money market. But the market article in the newspapers is frequently

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able to tell us the extent of the borrowings and repayings, quite irrespective of the Bank's return. Now, the two last items, Notes and Gold and Silver Coin, is the real reserve of the Bank of England, and it is this item that is watched with keener scrutiny than any other, for it means a great deal, as I have said. The total reserve in the above return is £27,466,077, and as it is a high one and represents a high percentage of the total deposits, being 53·44 per cent., as against 47 per cent. a year ago, then it is evidence that money is not likely to be dear, but to remain cheap and become even cheaper, with the probability that the Bank will lower its rate. Indeed, the market fully expected the Bank would do this, but the Bank, for some reason or other, did not respond to the market's expectations. Their action in this respect is always regulated by the outlook and by the foreign exchanges. But as the exchanges happened to be favourable, and were likely to remain favourable as far as it was possible to look ahead, then there was every likelihood that the rate would be lowered, but the directors, as I have said, acted with their usual caution, and did not choose to change it.

The market is again affected by bull and bear operations, and these, as a rule, are too mysterious for the average man to understand. But the home railway market is freer from such operations than the mining market or the American market, simply because the facilities are proportionately absent. I may, therefore, simply explain that a bull is the man who operates for the rise, and the bear the

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man who operates for the fall. The average man can quite understand what a bull is, because he is a bull himself—that is to say, he buys in the hope that the prices of stocks will go up, so that he might sell out at a profit. Now, suppose there is said to be a bull account open in Berthas or any other share. The bulls buy in order to send up the price, but they may be disappointed in their expectations, for other influences may be at work which will counteract their tactics, and therefore, instead of being a source of strength to the market, they are a source of weakness, for if prices do not go up they get scared, and sell what they have bought at the best prices they can get, in order to limit their losses, and this selling on their part depresses the market and depreciates prices. The bear, on the other hand, sells in order to knock the price down, so that he might buy at the lower price, and take the difference between the price at which he sold and that at which he bought, which will represent his profit. But suppose he is powerless, with all his selling, to send prices down. Then he, in his turn, becomes scared, and has to buy at the lowest price he can get, in order to minimize his loss, and this buying on his part is a source of strength to the market, and helps prices to appreciate. Thus we can now understand the phrases we read in the stock article that the market is weakened by a large bull account, because those bulls will have to sell some time or other, and that it is strengthened by the existence of a big bear account, because those bears will have to buy

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sooner or later, and thus give strength to the market and send prices up. I have explained it briefly, but I hope clearly.

Before I close this chapter I may explain what is meant by amortization. It applies only to redeemable stock, such as debentures. These debentures run for a certain period, and are generally made redeemable on a certain date, and during the period they are running they are being paid off out of a sinking fund. This is called amortization, and it usually takes place annually, when drawings are made, and the interest at once ceases on those debentures that have been drawn, this interest going to swell the fund for eventually redeeming the entire debt. In some cases this sinking fund is allowed to accumulate at interest until it shall equal the amount of the whole debt at the time of redemption, but more frequently the fund is used to purchase the stock in the open market. Others are redeemed by periodical drawings, for which so much money is specially allocated each year, and as this is done practically by lot, and no one knows which bonds may be redeemed, we may suddenly find ourselves paid off and the interest cease; but as railway debentures are nearly all irredeemable, this has very little interest for those who invest their money in such stocks.

CHAPTER VII

THE POLICY OF DRIFT

THE present position of British railways in this country is a matter of supreme importance, not only to the investors and stockholders concerned, but to the economical outlook of the nation itself. It gives us plenty of food for deep thought and reflection, and it is time we stayed to ask, and endeavoured to answer, the question: 'Whither are we drifting?' There are not a few observers amongst us who whisper the word 'bankruptcy,' and this is a sinister whispering which we would be wise to heed in time. Reflective men can see only too clearly the way we are drifting, and unless some effective effort be made to stay this progress to chaos, we shall find a disaster overtake us from which it may take generations to recover. Though on the surface we may see a calmness, there are turbulent currents of discontent and unrest beneath, and not a little alarm is felt as to the dangers we may run from these. It is not as if we found ourselves plunged suddenly, by some temporary chance or misfortune, into this position. We have drifted

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into it apathetically, dreamily, and it is now, when we see the perils ahead, that we gaze upon them in affright, and look about us with scared searching for some ways of escape. Are those ways to be found, or have we drifted too far to avert the catastrophic retribution awaiting us? There are ways of escape. We may still avert the most disastrous consequences of our folly. But shall we have the energy, the vigour, and the cool-headedness to seize them in time? That is the question we must ask and answer without delay, for further dallying in a position of peril such as that in which we find ourselves would mean inevitable destruction. Nature will not patiently abide our answer. She will not suspend the working of her economical laws merely for our pleading; she will go her own way without merciful regard for the precariousness of the position to which our indifference and folly have brought us.

The misfortune that has overtaken railways in this country is no sudden misfortune, for if it were there would be no need to take alarm, for time would bring relief. Unhappily, it is a misfortune which we have brought upon us by our own conduct, and unless we amend that conduct how can we hope to escape the consequences? What faith can we put in any natural law if we have fatuously played with natural laws and defied their potency? How can we look to time to save us when it has been the tide of time, to which we have hitherto blindly trusted ourselves, that has brought us thither? If we still trust to this tide, and do not

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energetically work against it, we shall but drift nearer and nearer to catastrophe. In time, therefore, we can place no hope. Time goes calmly, inevitably in one direction. There is no staying its onward, steady course, no turning it back, however slightly, for our convenience. No; we must rely upon ourselves. We can trust only in our own efforts at reform and amendment, and therefore we must answer unhesitatingly and decisively, 'We must reform.'

The guides in whom we have trusted in the past have forfeited that trust, and what is it that reason dictates to us in such circumstances? To trust to them no longer, or to insist that they shall no longer drift with time and tide until we all perish. They are still pleading with us to let them drift; they are still assuring us that the perils we see are but the lurid pictures of disordered imaginations. To them all is bright and clear and joyous. Upon the tide of time, which they see stretching to the receding horizon, the sun of prosperity and hope dances playfully. The waters are calm and peaceful; they glide along restfully and indolently, watching the radiance of heaven and the fleecy transparent clouds which presage no storm. Whose is the dream? Both cannot be visions. We feel sure that ours is no dream; we know that we are staring wide-awake. There is no radiancy shining upon us. Heaven is hidden from our gaze by heavy, forebodeful clouds, and any moment they may burst into a storm which can end only in our destruction. This peaceful sleeping of our guides will not save

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us. If they cannot see dangers ahead, we must try to save ourselves. And may Heaven strengthen our impotence !

Railway administration in this country is sadly in need of reform. It has long been in that needy state, but no effort has yet been made to come to its relief. Railway directors have got into the habit—an ingrained habit by now—of minimizing effort, of disregarding serious problems, and of meeting troubles and difficulties in a shiftless, indolent way. And they will surely suffer the consequences which is the penalty of all shiftless, indolent action. But, unfortunately, those consequences will be disastrous to many thousands of people, and harmful in no small degree to the nation at large. They have learnt no lessons from experience. It would be too much effort to learn, and would be too great a mental strain deeply to study such lessons. They see no necessity for it, because they see no reward for it, no substantial recognition on the part of shareholders for the labour they would undergo. Therefore they do not feel encouraged to undertake it. It is far better to take things easily, especially as they are likely to be just as much thought of as though they took them anxiously. Those for whom they are working appear to be well contented, therefore why should they make their lives a burden to themselves by too much anxiety and fruitless effort ? They can enjoy more peace of mind by minimizing misfortune, by meeting it cheerfully, and by transferring the burdens of it to others. It is not magnanimous conduct, it may not be wise and far-seeing,

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but what is the use of troubling to be magnanimous if it go unrecognised and unrewarded? And if the policy be unwise, can they not plead the justification of ignorance? Who is to know that it was deliberate and premeditated? What man has the vision to see into their intentions? These can be hidden far from any human gaze, however assiduously it might pry. It can be called an error of judgment, and pay the very mild penalty of all such human errors.

Railway directors are undoubtedly men of intelligence. They may be gifted with no great business instinct; they may have no exceptional competence for the task they have been called upon to perform; they may have no broad understanding of economics, no deep insight into human nature, and no foresight to see the effects of causes, but they are men of culture, and even of learning of some sort, and therefore they cannot plead deficiency of intelligence; they would be insulted were any such thing suggested. But there is a vast difference between the possession of intelligence and the putting of it to proper use. And if that intelligence be misdirected—as we have ample evidence that it is—then it is time to insist that it be rightly directed. Were they alone to suffer the consequences of such perversity, we should have little need to complain. We could but gaze in sadness upon a picture of human error, but when it will bring suffering, and possibly ruin, upon others, then is the time for righteous indignation, then is the time to call for reform. And if the cry be unheeded,

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if these directors persist contemptuously in going the way they have hitherto gone, then we should refuse to follow them. If they find they have no following, and they beckon to us to go along with them, our determined refusal may bring them to their senses. The only fear is that we may take effective action too late. Much mischief has been done, and if further is added to it, it may become irremediable. The moment of action is now, and if we neglect it, then our dallying will only make the consequences the more serious.

The results of railway working during the past six months have been disastrous. But it is nothing new. It is merely the extending effects of causes that have been in operation for years. We shall find a parallel to it as far back as 1893, but the position now, instead of showing an improvement, is greatly worse. In the latter part of 1893 the trade of the country was disorganized by the great coal strike, and therefore the excessive decline in the receipts and the dividends was excusable. Since that year, however, trade has so improved that the railway traffic has increased enormously. But the most ominous feature has been the steady expansion in the preordinary charges. And what is the inference to deduce from an alarming premise of this nature? None other than that the position of holders of ordinary stock is going from bad to worse, and that unless the progress in this direction is stayed, they will surely find themselves the possessors of worthless paper only—a by no means reassuring outlook. And how are some of the

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present dividends maintained? Merely by illegitimate methods of business; merely by lavish expenditure of capital. If this expenditure were charged to revenue, as it ought legitimately to be, then dividends would cease altogether. And the more this capital expenditure is increased, the more surely shall we see a decline in the dividends. Therefore, if it keeps on increasing, as the directors evidently intend that it shall, what miracle will happen to prevent a decline so persistent that dividends on the ordinary stock will vanish altogether? I can hope for no such miracle. Miracles do not come to the rescue of those who do not help themselves, and especially to the help of those who act in defiance of natural laws. But miracles act in defiance of natural laws. Then we *must* look to a miracle, and, personally, I cannot look to it with hope. I place more trust in a simple law, and simple law is working anything but favourably for the salvation of the ordinary shareholders of railway companies.

A study of the figures for the past two years will give cause for grave anxiety. For the June half of 1900 the gross earnings amounted to £39,164,000, and for the first six months of the present year they totalled £38,941,000, thus showing a decrease of £223,000, or as much as .57 per cent. And with this decline in the receipts we witness an increase in the expenditure, the figures being £24,389,000 for the June half last year, and £25,651,000 for the corresponding period of this year, or an increase of no less than £1,262,000,

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the ratio to the receipts being as high as 65·87, against 62·28 twelve months ago. The net income consequently shows a falling off of no less than £1,509,000, the figures being £13,676,000, in contrast with £15,185,000. The fixed charges, as usual, show an appreciation, the augmentation amounting to £230,000, the dividends of new ordinary stock taking £53,000, thus bringing the total up to £283,000. In the net profit the decline figured to the extent of £1,792,000, from £5,184,000 to £3,392,000, or at the rate of 34·68 per cent., whilst the dividends fell by the sum of £1,582,000, or 29·58 per cent., thus allowing for an aggregate distribution of only 3·14 per cent., as against 4·46 per cent. in the corresponding six months of 1900.

When we come to examine the causes of this all-round decline, we cannot say that they are calculated to relieve our anxiety. Look at the figures in whatever light we will, they are deplorable, and seeing that the directors of our railway companies, judging from their reports and the utterances of chairmen at the recent meetings, are not very greatly concerned about them, and are still placing their hopes of salvation in the future, then they are presageful of worse things to come. The falling-off is due almost entirely to the shrinkage in goods and mineral traffic, and it must be admitted that trade has not been so buoyant as in previous years. On the other hand, the receipts from passenger traffic have greatly increased, and this is evidence, at any rate, in spite of the depression we may be said to be suffering from, and in spite of the increased taxa-

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tion, that it is having no appreciable effect on the spending capacity of the public. The coal bill, of course, has been exceedingly heavy, but when we come to examine the aggregate figures, they look less impressive than directors would have us believe. The increase amounted to £660,000, and even should this be brought down by one-half in the future, it will not make any appreciable difference to the vast increase in the total expenditure, which amounted during the half-year to £1,262,000. The directors, in my opinion, have made far too much of this coal trouble. They have played it for all it is worth, and it has been to them a veritable god-send of an excuse, and enabled them to gloss over and saved them from the trouble of explaining other increases equally as serious and far more ominous for the future. Materials increased by £207,000, and wages by £79,000, and I look to see further additions to these—and probably to a great extent—in the future. Although the net profit available enabled an average dividend of only 3·14 per cent. to be paid, this profit had to be helped by appropriations from the reserve funds. The deficit amounted in the aggregate to £374,000, of which £125,000 was taken from reserve, as against £11,000 being credited to that fund a year ago, whilst the balance carried forward was only £206,000, as against £355,000 last year.

And what has been the effect of the decline upon the capital values of railway property? It has been enormous. Not only have the holders of ordinary stock had to be content with lesser divi-

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dends, but they have suffered even more greatly by the depreciation in the capital value of their holdings. No wonder that they are getting discontented and alarmed, and no wonder that they are crying out for some effective reform in the administration of the railways! It cannot be disputed that directors are too improvident, and are putting a premium on the future which the future will not be able to bear. Evidently, however, the future must take care of itself. So long as they can get along fairly comfortably to-day, they see no need to concern themselves with the morrow. But that is no reason why ordinary stockholders should be satisfied with their indifference. The future has a deep concern for them, and they should see that it is not imperilled through lack of foresight.

And this heavy capital expenditure *is* imperilling it, and this the directors either cannot see or refuse to see. If it were not for the lavish outlay on capital to which the directors are continually resorting, even the small dividends that have recently been paid could not have been maintained. Therefore we have to face this ominous fact, that the dividends have practically been paid out of capital. Suppose this was the case in any other industrial business, what would we say? Simply that the business was not paying its way, and that it was surely and inevitably going the way of all such businesses—to bankruptcy. If the directors had the courage to devote a portion of the revenue to that outlay which capital has to bear, which would be acting in accordance with true business methods,

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how many of our railways would have been in the same pitiable state as the South Eastern, which found itself unable to pay anything on its ordinary stock? And if the capital is being added to in this increasing fashion, half-year by half-year, with the prospect of expenditure increasing too, how can the dividends possibly be maintained? If the additional capital was destined to be self-remunerative it would be a vastly different thing, and nothing could be said against it; but only an infinitesimal part of it is likely to be remunerative, and therefore it is weighting the capital with nothing less heavy than 'water,' and 'water' was never yet known to buoy up dividends, only to engulf them. What railway directors ought to do, what, indeed, it is their bounden duty to do in the interests of stockholders, is to close their capital accounts for a long period of time, and let revenue bear its due burdens. But that would be an act of courage which the directors have not the heart to attempt. One might as well expect them to commit suicide. And yet what is this but a slow suicide—a sure killing of our railway prosperity? I will ask them what they will do when they can no longer get any capital? And that dreadful time will surely come, and will have to be faced by them. The more dividends dwindle, purely by reason of their improvidence, the more disinclined will the public be to invest its money in railways. That difficulty, that deadlock, may not come yet awhile, but it is not being averted. On the contrary, it is being hastened, and a little foresight should see it coming.

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This is a serious, vital question, which not only the directors, but the stockholders, should ponder over. The prospects for the latter are not thus becoming more and more hopeful. The outlook is far from a cheering one, as the outlook of any business would be whose revenue was a diminishing quantity, and less able to bear the increasing burdens it will be expected to support.

During the past six months, ending June, the total capital expenditure amounted to the colossal sum of £7,601,000. On lines open for traffic £3,984,000 was spent, and on rolling-stock £1,784,000, whilst on new lines only £936,000 was expended. The two first items thus represent something like 76 per cent. on the whole capital outlay, and as the major portion of this cannot be called remunerative outlay, it supports my contentions, I think, respecting the heavy embargo it is placing on the future. All of this ought rightly to have come out of revenue if a true business system had been followed. That similar expenditure will be charged upon capital in the future seems certain, and what consequences can we expect beyond that of further squeezing the ordinary dividends? It is for all the world like setting up in business and borrowing fresh money with which to renew the stock that is sold, and spending the whole gross proceeds of the latter in paying the interest and in trying to live. If this is not living beyond one's means, then I don't know what is. In time the capital will become so heavy that the gross receipts will be insufficient to pay the interest on it, and

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then bankruptcy comes. And this is the system upon which our railways are living, and it needs no exceptional gift of vision to foresee the end.

It is all very well to say that the past half-year, or the past year, has been an exceptional one—that trade, and consequently traffic, will improve, and that a considerable saving will be made in coal. Trade may improve and traffics may increase, but we must bear in mind that they must increase proportionately to the steady increase of capital, and I fear that the outlook does not promise that. We must bear in mind, too, that the increase in capital is sure and certain, but that the improvement in trade and traffic is not so certain. We have what are called trade cycles—periods of trade depression and trade prosperity. These are not doubtful, but are certain, and provision should accordingly be made for them. Chairmen tell us that they make this provision by improving the road-bed and renewing rolling-stock, and it would be a wise provision if it were done by the right method, and not the wrong—by providing for it out of revenue, and not out of capital; for when the period of depression comes, it is found that instead of being a real provision it is a hindrance and a burden, the lesser profits being swallowed up by the greater capital; whereas, had the capital stood still and the past dividends been paid as they were legitimately earned, the losses to be borne by lesser dividends and depreciation of capital would not be so vast and ruinous. That, I think, is so self-evident that I wonder it is overlooked, and it astonishes me how

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anyone can regard the future without anxiety. In bad times, as well as in good, capital charges must be provided for, and it is strange that directors of railway companies cannot see the difficulties their lack of foresight is creating for themselves, for further reductions in dividends will surely increase their difficulties in raising money. And when that difficulty is so formidable that they cannot overcome it, what will they do? If times have been bad it is not their fault. Ordinary shareholders must risk such events, even as all business men have to do. They must decrease their expenses; they must be content with no dividends at all, and expend the money in providing for better times, in order so to profit from those better times that they will be able to recoup themselves. But this is not what they are doing. They are living as prodigally as they do in prosperous times, and depending upon borrowed money to keep up appearances. And such folly must pay its penalty.

If the prices of ordinary stocks were governed solely by the dividends they pay, they would not stand at their present high prices; and if they were governed by the prospects, as most other stocks are, there would be a still greater depreciation in them. But they are undoubtedly maintained at their present levels by sentiment, but sentiment is not sufficient in itself to stave off disaster. At the present, as in the past, these prices are largely governed by the improvement which is expected to take place in the profits and dividends when the prices of coal and material decline, otherwise prices

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would be, and should be, at a much lower level than they are, seeing that the yields upon them are much smaller than those given by some of the Government loans. Indeed, many of the values are in inverse proportion to the dividends paid, those which are safer giving the greater yield, and the more speculative a smaller yield.

The table of capital expenditure on the next page I have taken from the *Investors' Review* of August 17, 1901. It gives the growth of capital of the individual railway companies for the past five half-years, with the estimated increase for the December half of 1901. I think they are sufficient to tell their own tale.

If railway directors think that the future profits can be maintained whilst they are burdening themselves with capital in this excessive fashion, then I think they are gravely lacking in imagination and foresight. A reduction in the price of fuel will not be their salvation, because, as I have already said, the high price of coal during the past twelve months has not been entirely responsible for the disasters that have overtaken them. There are equally as serious questions as this to consider, and not the least is the great falling-off in merchandise traffic. The gravity of the latter has been superciliously overlooked, and yet it is one that cannot be regarded with too much concern. It is merely a temporary affair in their opinion, and yet when we come to look at the trade of the country during the twelve months it has not been depressed to the extent they would have us believe. The Board of Trade returns,

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CAPITAL EXPENDITURE.

Name.	June, 1899. £	December, 1899. £	June, 1900. £	December, 1900. £	June, 1901. £	December, 1901.* £
North-Western .	589,464	679,339	949,629	704,046	746,349	635,000
Great Western .	689,626	1,196,407	939,452	988,908	929,733	650,000
Midland . . .	930,814	1,377,438	1,560,959	1,243,208	1,371,269	1,000,000
North-Eastern .	434,707	490,396	573,009	1,121,407	596,187	873,730
Great Northern .	719,059	674,833	563,320	584,965	438,678	350,000
Lancs. and Yorks.	426,071	485,520	515,260	668,725	554,145	594,200
Great Eastern .	401,506	451,498	509,595	544,605	559,114	450,000
South-Western .	457,957	686,076	567,737	668,128	579,528	596,500
Brighton . . .	196,230	199,124	412,910	546,747	702,616	568,940
South-Eastern .	442,818	712,403	538,069	1,430,660	620,406	710,000
Chatham . . .	50,780	52,650	99,708	120,019	263,635	...
Great Central .	692,809	1,711,370	624,430	396,052	216,653	296,000
North Staffs. . .	42,004	23,671	18,953	32,132	23,947	36,000
Metropolitan . .	40,682	48,965	72,198	53,222	36,075	87,000
District	52,630	123,192	81,129	278,425	47,742	68,860
Hull and Barnsley	91,496	60,616	77,520	85,575	70,581	152,275
North London .	10,305	8,178	3,384	14,377	8,162	12,200

* Estimated.

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as well as other evidence, show that trade has been fairly prosperous ; in fact, it has been so prosperous in some instances that orders had to be refused. It has slackened down of recent months, it is true, but it has not slackened down to a sufficient extent to account adequately for the serious falling-off in the receipts. No ; our railways are being over-capitalized, and they will go the way of all over-capitalized concerns. We have seen the disastrous fate that has overtaken some of our over-capitalized industrial concerns of late, and I do not see how our railways are to escape similar consequences.

I take the following instructive tables from the *Investors' Review* of August 17 last, and if railway shareholders would like to know what Mr. Wilson thinks about them, I would advise them to read that great authority's comments on these tables, for they would find them instructive, and worthy of serious reflection :

BRITISH RAILWAY FINANCE

GROSS REVENUE.

Name.	Gross Receipts.	Increase or Decrease.	Working Expenses.	Increase.	Expense Ratio.	Increase.
	£	£	£	£	Per cent.	Per cent.
North-Western . . .	6,632,833	- 82,718	4,276,197	235,823	65·30	5·01
Great Western . . .	5,358,041	+ 69,936	3,569,153	232,701	67·56	3·62
Midland . . .	5,444,907	- 98,883	3,434,709	95,568	65·18	3·00
North-Eastern . . .	4,315,065	- 41,087	2,850,067	97,959	66·09	5·56
Great Northern . . .	2,769,600*	- 35,350	1,889,040	37,251	69·86	3·00
Lancashire and Yorkshire . . .	2,575,760	- 53,288	1,598,496	63,014	62·10	4·83
Great Eastern . . .	2,663,746†	+ 119,340	1,742,174	142,500	66·95	4·04
South-Western . . .	2,350,889	+ 31,491	1,551,776	92,639	63·12	3·04
Brighton . . .	1,467,902	+ 46,365	954,010	70,564	65·51	3·21
S. E. and Chatham . . .	2,255,688	+ 45,023	1,524,670	151,507	72·93	6·59
Great Central . . .	1,657,392‡	- 11,008	1,112,532	10,093	71·13	1·39
North Staffordshire . . .	442,909	- 9,708	269,768	4,824	61·10	2·79
Metropolitan . . .	426,037	- 33,010	208,447	7,359	50·62	5·45
District . . .	212,548	- 22,409	113,195	4,327	53·22	4·52
Furness . . .	252,578	- 28,341	129,752	(d)4,348	51·29	3·60
Hull and Barnsley . . .	211,318	- 30,837	138,869	(d)120	65·72	7·94
North London . . .	274,389	- 5,674	166,480	3,952	60·87	2·60
Taff Vale . . .	452,671	+ 16,692	259,373	15,198	57·30	0·50

* Including £60,000 taken from the 'Contingent Fund.'

† " £55,000 " "

‡ " £28,000 " "

(d) Decrease.

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PRINCIPAL WORKING EXPENSES.

Name.	Maintenance.		Locomotive Power.		Traffic Expenses.	
	Amount.	Increase or Decrease.	Amount.	Increase.	Amount.	Increase.
North-Western	£ 550,071	- 22,718	£ 1,227,053	£ 196,290	£ 1,549,711	£ 9,558
Great Western	695,740	- 7,632	1,169,118	178,154	948,035	24,484
Midland	438,139	+ 14,200	1,157,527	54,694	1,245,928	2,032
North-Eastern	400,153	+ 15,306	898,363	15,578	822,841	21,003
Great Northern	183,466	- 8,494	564,809	37,030	531,062	6,292
Lancashire and Yorkshire	265,008	+ 4,558	449,906	51,105	607,893	1,867
Great Eastern	238,754	+ 25,000	480,127	56,296	500,172	32,731
South-Western	233,958	- 4,231	417,753	58,042	399,650	8,811
Brighton	156,790	+ 6,986	304,647	49,460	250,162	6,896
South-Eastern and Chatham	215,459	+ 44,140	423,843	68,498	422,512	16,641
Great Central	119,170	- 3,752	349,718	13,290	351,269	6,224
North Staffordshire	45,762	- 1,410	77,883	7,315	66,996	1,107
Metropolitan	28,238	- 292	62,435	5,003	48,068	39*
District	12,984	+ 1,148	26,273	102*	50,476	856
Furness	24,331	- 1,198	31,278	4,288*	33,643	336*
Hull and Barnsley	15,374	+ 318	35,444	1,442	38,351	727*
North London	18,330	+ 1,280	64,700	2,794	53,826	1,065
Taff Vale	35,381	+ 2,718	93,581	6,068	54,970	2,824

* Decrease.

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NET REVENUE ACCOUNTS.

Name.	Net Revenue.*	Decrease.	Ordinary Dividend.		Decrease.	Balance Forward.
			Amount.	Rate.		
	£	£	£	Per cent.	Per cent.	£
North-Western	2,436,671	328,397	964,602	4 $\frac{1}{2}$	1 $\frac{1}{2}$	32,918
Great Western	1,834,031	162,813	817,954	2 $\frac{1}{4}$	1 $\frac{1}{4}$	19,730
Midland	2,051,555	192,197	(a) 280,200	1 $\frac{1}{2}$	1 $\frac{1}{4}$	11,046
North-Eastern	1,510,597	146,101	652,987	4 $\frac{1}{2}$	1 $\frac{1}{4}$	35,914
Great Northern	917,082	62,942	189,710	2 $\frac{1}{4}$	1 $\frac{1}{2}$	6,692
Lancashire and Yorkshire	1,000,783	115,944	251,115	3	1 $\frac{1}{2}$	21,505
Great Eastern	972,224	38,650	82,893	1 $\frac{1}{4}$		9,418
South-Western	823,966	61,541	211,479	3 $\frac{1}{2}$	1 $\frac{1}{4}$	18,376
Brighton	543,265	16,662	108,720	2 $\frac{1}{2}$	1 $\frac{1}{2}$	8,325
South-Eastern	446,910	54,959	nil	nil	1 $\frac{1}{2}$	nil
Chatham	273,009	97,395	(b) 48,620	1 $\frac{3}{10}$	3 $\frac{1}{10}$	13
Great Central	545,782	21,378	(c) nil	nil	5	1,250
North Staffordshire	177,591	15,340	52,490	3 $\frac{1}{4}$	1	5,068
Metropolitan	238,223	38,077	100,796	2 $\frac{1}{4}$	1 $\frac{1}{2}$	20,742
District	98,967	27,156	(d) 23,288	3	—	523
Furness	129,088	24,869	26,420	2	1	1,595
Hull and Barnsley	81,596	32,821	(e) nil	nil	—	16,779
North London	111,232	13,537	61,002	6	1 $\frac{1}{2}$	3,702
Taff Vale	193,298	(f) 1,494	84,375	3 $\frac{1}{4}$	—	2,040

* Including balance from previous half-year.
 (a) On Deferred Ordinary. (b) On Arbitration Preference Stock. (c) On 5 per cent. Preference Stock, 1872. (d) On 4 per cent. Guaranteed Stock; deficiency £16,667. (e) On 3 $\frac{1}{2}$ per cent. Preference; last year Ordinary received 1 per cent. (f) Increase.

CHAPTER VIII

SOME COMPARISONS

I REPEAT that the prosperity of our railways is not dependent solely upon the quantity of the traffic they carry—merchandise or passenger. This is evident enough. Therefore it would be the height of folly for directors and shareholders grimly to sit down with folded arms and wait for the traffic to come. More especially is it the height of folly to live in the same extravagant fashion as in the days of prosperity, and to maintain that living by borrowed money. If they would husband their present resources, would eke out a living economically, so that when the better times do come they would be able to make the most of them, and not find their net income diminished by heavy mortgages upon it. When we come to compare the year 1900 with 1899, we find a considerable advance in the gross earnings, amounting to over three millions, whilst 1899, compared with 1898, showed an even greater expansion. But what lesson do we learn from this? Both 1899 and 1900 were years of great

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activity in trade, which sufficiently accounts for these improved receipts. We have to go back quite ten years, to the beginning of the nineties, to find similar activity in trade. Nevertheless, in spite of this improvement, there were incommensurate net profits, owing mainly to the high prices of coal and material. Now, if the directors had only economized in previous years, instead of spending capital lavishly, in order to meet unforeseen but not improbable troubles of this kind, they would not have felt these increased charges so much. They tried to minimize the burdens in a tentative, half-hearted fashion by increasing fares and rates; but the effect was inappreciable, as will be seen from the fact that for the year the leading companies showed an increase of £2,441,000, or 3·05 per cent. in the gross earnings, but this was offset by a decline of nearly two millions, or over 14 per cent., in the net profits. The total figures for the year were: Gross earnings, £82,366,000, compared with £79,925,000 in 1899; net profit, £11,474,000, compared with £13,393,000, so that the aggregate dividend was 4·78 per cent. against 5·62 per cent. in 1899. And the December half of the year was worse than the June half, the increase in the gross receipts being 2·67 per cent., and the decline in net profit 15·38 per cent., whilst in the June half gross earnings improved to the extent of 3·48 per cent., and the net profits declined by 12·84 per cent. The December dividends consequently declined by 1·00 per cent., from 6·48 per cent. to 5·48 per cent., whilst the June dividends fell from

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4·76 to 4·16 per cent. What this decline meant in the capital value of the ordinary stocks may be imagined. On a 4 per cent. basis it meant a depreciation of something like £50,000,000.

This falling-off in the profit was mainly due to the increased cost of coal, which accounted for nearly the whole of the increase in the gross earnings, the remainder being absorbed by the higher prices of materials and stores. I have already given the figures of the June halves of this year and last year, and now we will look at the figures of the latter half of 1900, and compare them with those for the corresponding half of 1899. Gross earnings, 1900, £43,201,000 ; 1899, £42,078,000 ; increase, £1,123,000. Expenses: Wages, 1900, £11,547,000 ; 1899, £11,292,000 ; increase, £255,000. Materials, 1900, £3,337,000 ; 1899, £3,085,000 ; increase, £252,000. Coal, 1900, £3,133,000 ; 1899, £2,139,000 ; increase, £994,000. Other expenses, 1900, £8,776,000 ; 1899, £8,298,000 ; increase, £478,000, showing a total increase in the expenditure of £1,979,000, or 3·05 per cent. Net earnings, 1900, £16,408,000 ; 1899, £17,264,000 ; decrease, £856,000. Miscellaneous income, 1900, £427,000 ; 1899, £463,000 ; decrease, £36,000, or a decline of £892,000, equal to 5 per cent. Fixed charges, 1900, £10,142,000 ; 1899, £9,936,000 ; increase, £206,000. Dividends on new ordinary stock, £102,000, compared with nothing. Total increased capital charges, £308,000, or 3 per cent. Net profit remaining for ordinary dividend, 1900, £6,591,000 ; 1899, £7,791,000 ;

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decrease, £1,200,000, or 15·4 per cent. Dividends, 1900, £6,448,000 ; 1899, £7,652,000 ; decrease, £1,204,000, or 15·7 per cent. Surplus, 1900, £143,000 ; 1899, 147,000 ; decrease, £4,000. Brought forward, 1900, £356,000 ; 1899, £377,000 ; decrease, £21,000. Balance, 1900, £466,000 ; 1899, £528,000 ; decrease, £62,000.

I take the liberty of reproducing the following tables from the *Statist*, the two first showing the results of the half-year to December 31, 1900, compared with the corresponding half of 1899, and the two latter showing the results for the half-year to June 30, 1901, compared with the corresponding period of 1900. These analytical tables, which are compiled each half-year by this influential financial newspaper, are invaluable to investors for the purpose of study and reference.

The other tables, taken from the same paper, show the effect upon the individual companies of the prices of the wages, materials, and coal for the half-years ending December, 1900, and June 30, 1901:

RESULTS FOR THE HALF-YEAR TO DECEMBER 31, 1900, COMPARED WITH THE CORRESPONDING HALF OF 1899.

Name.	Total Capital Expended to Dec. 31, 1900.		Gross Earnings.		Expenses.			Net Earnings.		Miscellaneous Income.		Total Net Income.	
	£	£	£	Inc. or Dec.	£	Inc. Ratio.	Inc. Dec.	£	Inc. or Dec.	£	Inc. or Dec.	£	Inc. or Dec.
Furness . .	6,695,000 +	114,000	285,000 -	7,000	140,000 +	1,000	49·12 + 1·52	145,000 -	8,000	..	..	145,000 -	8,000
Great Central .	47,049,000 +	1,663,000	1,657,000 +	87,000	1,214,000a	131,000a	78·26 + 4·33	443,000 -	44,000	96,000 -	13,000	539,000 -	57,000
Great Eastern .	53,345,000 +	1,055,000	3,042,000 +	106,000	1,838,000	192,000	61·90 + 4·31	1,159,000 -	86,000	8,000 +	1,000	1,167,000 -	85,000
Great Northern	48,917,000 +	1,148,000	3,012,000 +	57,000	2,027,000	125,000	68·79 + 4·43	985,000 -	68,000	16,000 +	5,000	1,001,000 -	63,000
Great Western .	92,579,000 +	1,928,000	5,847,000 +	141,000	3,563,000	281,000	60·90 + 3·39	2,284,000 -	140,000	30,000	..	2,314,000 -	140,000
Hull & Barns. .	7,420,000 +	163,000	255,000 +	23,000	163,000	23,000	63·92 + 5·73	92,000 -	5,000	1,000	..	93,000 -	5,000
Lancs. & Yorks. .	54,109,000 +	1,184,000	2,779,000 +	8,000	1,707,000	95,000	61·40 + 3·21	1,072,000 -	87,000	8,000 -	..	1,075,000 -	87,000
L. & Brighton .	27,769,000 +	960,000	1,705,000 +	43,000	954,000	49,000	55·95 + 1·50	751,000 -	6,000	4,000	..	755,000 -	6,000
L., Ch. & Dover.	23,791,000 +	219,000	1,027,000 +	35,000	618,000	59,000	60·17 + 3·82	409,000 -	24,000	8,000 +	1,000	412,000 -	23,000
L. & N.-West. .	111,426,000 +	1,654,000	7,264,000 +	113,000	4,535,000	316,000	62·46 + 3·47	2,729,000 -	203,000	94,000 -	5,000	2,823,000 -	208,000
L. & S.-West. .	40,352,000 +	1,236,000	2,624,000 +	87,000	1,590,000	114,000	60·68 + 2·57	1,034,000 -	27,000	4,000 +	1,000	1,038,000 -	26,000
L. & Tilbury .	3,963,000 +	241,000	230,000 +	20,000	129,000	18,000	56·09 + 3·23	101,000 +	2,000	5,000 +	3,000	106,000 +	5,000
Metropolitan .	10,090,000 +	125,000	422,000 -	12,000	212,000	13,000	50·23 + 4·49	210,000 -	25,000	13,000 -	6,000	223,000 -	31,000
Metrop. Dist. .	8,324,000 +	360,000	191,000 -	19,000	108,000	1,000	56·54 + 5·59	83,000 -	20,000	10,000 +	1,000	93,000 -	19,000
Midland . .	104,187,000 +	2,804,000	5,715,000 +	153,000	3,575,000	225,000	62·21 + 2·00	2,140,000 -	72,000	121,000 -	18,000	2,261,000 -	90,000
North-Eastern .	72,810,000 +	1,695,000	4,861,000 +	232,000	3,023,000	220,000	62·30 + 1·77	1,833,000 +	2,000	3,000	..	1,836,000 +	2,000
North London .	4,071,000 +	18,000	280,000 +	2,000	160,000	7,000	57·14 + 2·11	120,000 -	5,000	1,000	..	121,000 -	5,000
North Stafford.	8,440,000 +	51,000	464,000 +	11,000	232,000	23,000	60·77 + 3·60	182,000 -	12,000	3,000 +	1,000	185,000 -	11,000
South-Eastern .	29,960,000 +	1,969,000	1,541,000 +	53,000	905,000	81,000	58·76 + 3·39	636,000 -	28,000	12,000 -	7,000	648,000 -	35,000
Totals . .	760,297,000 +	18,587,000	43,201,000 +	1,123,000	26,793,000	1,979,000	62·02 + 3·05	16,408,000 -	856,000	427,000 +	36,000	16,835,000 -	892,000

(a) Of the expenses, £10,000 was charged to reserve in 1899, and nothing in 1900. The actual increase in expenses was £121,000.

RESULTS FOR THE HALF-YEAR TO DECEMBER 31, 1900, COMPARED WITH THE CORRESPONDING HALF OF 1899—continued.

Name.	Net Income.		Fixed Charges.		Dividends on New Ordinary Capital.	Dividends on Ordinary Capital.			Balance or Deficiency.	Balance brought Forward.		Balance carried Forward.	
	£	Inc. or Dec.	£	Inc. or Dec.		%	£	Inc. or Dec.		£	Inc. or Dec.	£	Inc. or Dec.
Furness	145,000	- 8,000	100,000	+ 2,000	Nil	3½	46,000	- 7,000	Dr. 1,000	7,918	+ 2,818	6,261	- 876
Great Central	589,000	- 57,000	562,000a	+ 80,000	Nil	..	Nil	- 69,000	Dr. 23,000	22,876	+ 17,398	922	- 277
Great Eastern	1,167,000	- 85,000	868,000	+ 6,000	Nil	4	265,000	- 83,000	Dr. 39,000	12,099	+ 3,875	50,952	- 5,489
Great Northern	1,001,000	- 63,000	721,000	+ 37,000	Nil	3	254,000	- 146,000	Cr. 26,000	10,176	- 36,987	36,531	+ 9,658
Great Western	2,314,000	- 140,000	1,500,000	+ 13,000	26,000	5½	776,000	- 168,000	Cr. 12,000	33,040	+ 10,105	45,143	- 47
Hull & Barnsley	93,000	- 5,000	72,000	+ 3,000	Nil	2	33,000	- 16,000	Dr. 12,000	25,995	- 5,272	14,147	+ 2,895
Lanc. & York.	1,075,000	- 87,000	719,000	+ 18,000	Nil	4½	356,000	- 109,000	.. 23,000	22,882	+ 629	23,519	+ 398
L. & Brighton.	755,900	- 6,000	420,000b	+ 10,000c	8,000	7	150,000	- 34,000	Cr. 29,000	6,861	- 2,568	29,372	+ 7,537
L., Ch. & Dover	412,000	- 23,000	233,000	+ 11,000	Nil	4½	304,000e	..	Cr. 29,000	186	- 1,730	29,264	- 35,736
L. & N.-West.	2,823,000	- 208,000	1,427,000	+ 24,000	20,000	6½	1,869,000	- 263,000	Cr. 7,000	72,328	- 21,777	80,085	- 9,867
L. & S.-West.	1,038,000	- 26,000	578,000d	+ 9,000d	Nil	7½	453,000	- 39,000	Cr. 7,000	18,478	+ 5,620	24,853	- 394
L. & Tilbury	106,000	+ 5,000	45,000	+ 2,000	3,000	7	52,000	- ..	Cr. 6,000	34,418e	+ 10,915e	5,574e	- 24,570e
Metropolitan	223,000	- 31,000	151,000	+ 3,000	Nil	2½	11	36,000	Cr. 1,000	19,768	+ 785	20,633	+ 2,293
Metro. District	93,000	- 19,000	75,000	..	Nil	2½	18,000f	- 18,000	.. 19,000	282	+ 37	149	- 242
Midland	2,261,000	- 90,000	1,267,000	+ 28,000	20,000	5½	955,000	- 189,000	Cr. 19,000	21,770	+ 777	41,357	+ 2,254
North-Eastern	1,836,000	+ 2,000	822,000	+ 13,000	25,000	7	978,000	- 35,000	Cr. 11,000	34,971	+ 6,221	45,599	- 7,155
North London	121,000	- 5,000	50,000g	- 1,000g	Nil	7	71,000	- 5,000	..	2,626	- 4,906	3,923	- 3,911
North Stafford	185,000	- 11,000	120,000	+ 1,000	Nil	4	65,000	- 12,000	..	4,485	+ 218	4,450	- 700
South-Eastern	648,000	- 35,000	417,000	+ 5,000	Nil	4½	232,000	- 38,000	Dr. 1,000	5,286	+ 4,197	3,727	+ 2,100
Totals	16,835,000	- 892,000	10,142,000	+ 206,000	102,000		6,448,000	- 1,204,000	Cr. 143,000	856,444	- 21,294	465,611	- 62,158

(a) Profits were sufficient to pay the full interest up to and inclusive of the 5 per cent. Preference Stock of 1872, and the dividends on the 1874, 1876, 1879, 1881, 1889, 1891 and 1894 stocks were passed. In 1899 the dividends on the 1874, 1876, and 2 per cent. on the 1879 Preference were paid. The profit divided declined £69,000.

(b) Includes £12,000 placed to benevolent and general insurance funds, as against £10,000 in the corresponding half of 1899.

(c) Dividends on the 4½ per cent. First Preference Stock.

(d) Includes only £13,000 reserved for steamboats renewal, as against £25,000 in the second half of 1899.

(e) The amount brought forward of £34,418 was transferred to a special reserve fund to meet the claim of the Great Eastern Railway in respect of the widening of the London and Blackwall Railway.

(f) The company was able to pay a dividend of only £2 6s. 8d. on its 4 per cent. Guaranteed Stock, whereas in the second half of 1899 it paid the full 4 per cent. upon Guaranteed, and a dividend at the rate of 1½ per cent. per annum upon the 5 per cent. Preference Stock.

(g) Nothing was placed to workmen's compensation fund, as against £1,000 in 1899. Hence the decline of £1,000 in the charges.

RESULTS FOR THE HALF-YEAR TO JUNE 30, 1901, COMPARED WITH THE CORRESPONDING HALF OF 1900.

Name.	Total Capital Expended to June 30, 1901.		Gross Earnings.		Expenses.			Net Earnings.		Miscellaneous Income.		Total Net Income.	
	£	Inc. or Dec.	£	Inc. or Dec.	£	Inc. or Dec.	Ratio.	£	Inc. or Dec.	£	Inc. or Dec.	£	Inc. or Dec.
Furness . .	6,695,000 +	66,000	253,000 -	28,000	130,000 -	4,000	51·58	123,000 -	24,000	..	..	123,000 -	24,000
Great Central .	47,266,000 +	613,000	1,564,000 -	16,000	1,113,000 +	11,000	71·16	451,000 -	27,000	85,000 -	3,000	536,000 -	30,000
Great Eastern .	53,904,000 +	1,104,000	2,602,000 +	60,000	1,742,000 +	143,000	66·70	860,000 -	83,000	7,000	..	867,000 -	83,000
Great Northern	49,356,000 +	1,024,000	2,697,000 -	73,000	1,899,000 +	37,000	70·04	808,000 -	110,000	12,000 -	3,000	820,000 -	113,000
Great Western.	93,509,000 +	1,919,000	5,335,000 +	68,000	3,569,000 +	233,000	66·89	1,766,000 -	165,000	23,000 +	3,000	1,789,000 -	162,000
Hull & Barns.	7,491,000 +	156,000	211,000 -	29,000	139,000	..	65·88	72,000 -	29,000	..	- 2,000	72,000 -	31,000
Lanc. & Yorks.	54,663,000 +	1,223,000	2,575,000 -	44,000	1,598,000 +	63,000	62·06	977,000 -	107,000	..	- 9,000	977,000 -	116,000
L. & Brighton .	28,472,000 +	1,250,000	1,465,000 +	48,000	954,000 +	71,000	65·12	511,000 -	23,000	3,000 -	1,000	514,000 -	24,000
L., Ch. & Dover	29,055,000 +	384,000	873,000 +	9,000	619,000 +	63,000	70·90	254,000 -	54,000	5,000 +	2,000	259,000 -	52,000
L. & N. West .	112,172,000 +	1,450,000	6,548,000 -	71,000	4,276,000 +	236,000	65·30	2,272,000 -	307,000	85,000 -	11,000	2,357,000 -	318,000
L. & S. West .	40,932,000 +	1,248,000	2,347,000 +	32,000	1,552,000 +	93,000	66·12	795,000 -	61,000	4,000	..	799,000 -	61,000
L. & Tilbury .	4,033,000 +	208,000	191,000 +	12,000	122,000 +	13,000	63·87	69,000 -	1,000	6,000 +	3,000	75,000 +	2,000
Metropolitan .	10,126,000 +	89,000	411,000 -	33,000	208,000 +	7,000	50·60	203,000 -	40,000	14,000	..	217,000 -	40,000
Metro. District.	8,372,000 +	327,000	200,000 -	24,000	113,000 +	4,000	56·50	87,000 -	28,000	11,000 +	1,000	98,000 -	27,000
Midland . .	105,558,000 +	2,614,000	5,337,000 -	94,000	3,435,000 +	96,000	64·36	1,902,000 -	190,000	108,000 -	5,000	2,010,000 -	195,000
North-Eastern .	73,406,000 +	1,713,000	4,312,000 -	41,000	2,890,000 +	98,000	66·09	1,462,000 -	139,000	3,000	..	1,465,000 -	139,000
North London .	4,075,000 +	19,000	273,000 -	5,000	106,000 +	4,000	60·80	107,000 -	9,000	1,000	..	108,000 -	9,000
North Stafford.	8,464,000 +	56,000	440,000 +	11,000	270,000 +	5,000	61·36	170,000 -	16,000	8,000 +	1,000	173,000 -	15,000
South-Eastern .	30,580,000 +	2,051,000	1,307,000 +	17,000	906,000 +	89,000	69·32	401,000 -	72,000	16,000 +	1,000	417,000 -	71,000
Totals . .	708,129,000 +	17,519,000	38,941,000 -	223,000	25,651,000 +	1,263,000	65·87	13,290,000 -	1,485,000	336,000 -	24,000	13,676,000 -	1,509,000

(a) Including the £5,000 taken from reserve last year, the decrease in net income would reach £38,000 : but we have eliminated sums both taken from and charged to reserve, in order to make a true comparison.

RESULTS FOR THE HALF-YEAR TO JUNE 30, 1901, COMPARED WITH THE CORRESPONDING HALF OF 1900—continued.

Name.	Net Income.		Fixed Charges.		Dividends on New Ordinary Capital.	Dividends on Ordinary Capital.		Balance or Deficiency.	Balance brought Forward.		Balance carried Forward.	
	£	Inc. or Dec.	£	Inc. or Dec.		%	£		£	Inc. or Dec.	£	Inc. or Dec.
Furness	123,000	- 24,000	101,000	+ 1,000	Nil	2	26,000	- 20,000	6,261	- 1,000	2,000	- 6,000
Great Central	536,000	- 30,000	544,000	+ 25,000	Nil	5a	83,000	- 25,000	922	..	1,000	- 22,000
Great Eastern	867,000	- 83,000	880,000	+ 19,000	Nil	11	190,000	- 63,000	96,652	- 5,000	9,000	- 3,000
Great Northern	820,000	- 113,000	790,000c + 23,000e	..	Nil	21c	307,000	- 170,000	36,531	+ 9,000	6,000	- 4,000
Great Western	1,759,000	- 162,000	1,497,000	+ 11,000	10,000	21	Nil	- 16,000	45,143	- 47	20,000	- 13,000
Hull & Barnsley	772,000	- 31,000	75,000d + 3,000d	..	Nil	Nil	251,000	- 125,000	9,147	- 2,000	6,000d	- 20,000
Lanc. & York.	977,000	- 116,000	728,000	+ 11,000	8	3	115,000	- 38,000	23,519	..	21,000	- 2,000
L. & Brighton	514,000	- 24,000	412,000	+ 6,000	21	21	49,000	- 101,000	29,372	+ 7,000	8,000	+ 1,000
L. Ch. & Dover	259,000	- 52,000e	239,000	+ 8,000	Nil	11	956,000	- 315,000	29,264	- 36,000	13	- 172
L. & N.-West.	2,357,000	- 318,000	1,439,000	+ 20,000	9,000	41	211,000	- 76,000	80,035	- 10,000	38,000	- 39,000
L. & S.-West.	799,000	- 61,000	584,000f + 24,000	..	Nil	31	27,000	- 43,000	24,853	- 25,000	18,000	- 29,000
L. & Tilbury	75,000	+ 2,000	45,000	+ 4,000	1,000	31	64,000	- 29,000h	5,574e	- 2,000	5,000	- 2,000
Metropolitan	217,000	- 40,000	153,000	+ 2,000	Nil	21	736,000	- 231,000	20,633	+ 2,000	21,000	+ 1,000
Metro.-District	98,000	- 27,000	98,000b + 2,000	..	Nil	11	736,000	- 231,000	149	- 2,000	523	+ 241
Midland	2,010,000	- 195,000	1,294,000	+ 39,000	10,000	4	638,000	- 177,000	41,357	+ 2,000	11,000	- 11,000
North-Eastern	1,465,000	- 139,000	821,000	+ 14,000	15,000	41	61,000	- 15,000	45,599	- 7,000	36,000	+ 1,000
North London	108,000	- 9,000	46,000	+ 1,000	399	6	52,000	- 17,000	3,323	- 4,000	4,000	+ 1,000
North Stafford	173,000	- 15,000	120,000	..	Nil	31	Nil	- 69,000	4,450	- 1,000	5,000	+ 1,000
South-Eastern	417,000	- 71,000	435,000	+ 15,000	Nil	11	3,766,000	- 1,588,000	3,727	+ 2,000	Nil	- 5,000
Totals	13,676,000	- 1,509,000	10,231,000	+ 230,000	53,000	..	3,766,000	- 1,588,000	455,000	- 75,000	206,000	- 149,000

(a) This Company appropriated £5,000 from reserve to make up the full dividend on its 4 per cent. Preference Stock, and paid nothing upon the 5 per cent. Preference, upon which it last year distributed the full dividend.

(b) This Company has taken £55,000 from reserve to make up the 11 per cent. dividend for the past half-year.

(c) This Company has taken £60,000 from reserve to make up the dividend to 21 per cent. In the first half of 1900 the Company appropriated £20,000 from reserve for relaying of permanent way, and at the same time wrote off £20,000 out of Permanent Way Renewals Suspense account. We have consequently eliminated the amount from both years, as its inclusion prevented an accurate comparison.

(d) Of this sum of £75,000, £10,000 for interest on the 31 per cent. Preference Stock is held over to the December half-year. Had this amount been distributed, the balance forward would have been only £6,000. Including the interest held over, the balance forward is £16,000.

(e) Including the £5,000 taken from reserve last year, the decrease in net income would reach £58,000; but we have eliminated sums both taken from and charged to reserve, in order to make a true comparison.

(f) The South-Western has appropriated from profits a sum of £10,000 for reserve for steamboat renewals, against an appropriation of £20,000 last year.

(g) Exclusive of £2,000 placed to insurance and reserve fund.

(h) The increase of £2,000 is the addition to the Company's charges, but in the past half-year the profits have been equal to a dividend of only 3 per cent. on the Guaranteed Stock, as against the full 4 per cent. last year, and consequently the whole of the charges have not been paid. Further, nothing has been paid on the 5 per cent. Preference Stock, as against 31 per cent. last year.

(i) The South-Eastern charges have been calculated by eliminating the duplication of interest which the Company and the Joint Committee have shown to have paid. The charges given are those that the Company would bear were there no Joint Committee. The deficit of £18,000 for the half-year 1900 was £1,000 less than the balance brought forward. Last year £4,000 was taken from the reserve.

SOME COMPARISONS

TABLE I.

Name.	Wages.		Materials.		Coal.	
	1900.	Inc. or Dec.	1900.	Inc. or Dec.	1900.	Inc. or Dec.
Furness	£ 54,000	£ 1,000	£ 20,000	£ 2,000	£ 20,000	£ 5,000
Great Central	577,000	27,000	169,000	+	200,000	61,000
Great Eastern	773,000	35,000	225,000	+	208,000	67,000
Great Northern	807,000	14,000	186,000	+	228,000	65,000
Great Western	1,420,000	17,000	472,000	+	435,000	146,000
Hull and Barnsley	62,000	6,000	16,000	+	18,000	7,000
Lancashire and Yorkshire	780,000	5,000	170,000	+	187,000	56,000
London and Brighton	350,000	10,000	126,000	+	156,000	52,000
London and North-Western	1,895,000	5,000	555,000	+	490,000	179,000
London and South-Western	603,000	9,000	179,000	+	195,000	50,000
Tilbury	52,000	6,000	14,000	+	19,000	6,000
Metropolitan	78,000	...	16,000	+	32,000	9,000
Metropolitan District	45,000	1,000	9,000	+	14,000	2,000
Midland	1,980,000	46,000	439,000	+	386,000	107,000
North-Eastern	1,347,000	64,000	556,000	+	282,000	90,000
North London	74,000	...	7,000	+	30,000	8,000
North Stafford	109,000	3,000	45,000	+	26,000	10,000
South-Eastern and Chat. Joint	541,000	18,000	133,000	+	207,000	74,000
Total	11,547,000	255,000	3,337,000	+ 252,000	3,133,000	+ 994,000
Increase per cent.	+ 2.2	...	+ 8.2	...	41.8

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TABLE II.

Name	Wages.		Materials.		Coal.	
	1901.	Inc. or Dec.	1901.	Inc. or Dec.	1901.	Inc. or Dec.
	£	£	£	£	£	£
Furness	51,000	- 1,000	17,000	- 1,000	16,000	+ 1,000
Great Central	542,000	...	156,000	- 4,000	178,000	+ 28,000
Great Eastern	724,000	+ 11,000	194,000	+ 38,000	185,000	+ 43,000
Great Northern	771,000	+ 1,000	144,000	- 2,000	231,000	+ 36,000
Great Western	1,396,000	+ 15,000	512,000	+ 4,000	450,000	+ 154,000
Hull and Barnsley	55,000	- 1,000	13,000	+ 2,000	13,000	- 1,000
Lancashire and Yorkshire	768,000	- 8,000	171,000	+ 15,000	176,000	+ 46,000
London and Brighton	347,000	+ 10,000	133,000	+ 11,000	143,000	+ 37,000
London and North-Western	1,849,000	- 18,000	428,000	+ 34,000	488,000	+ 157,000
London and South-Western	590,000	+ 11,000	154,000	+ 6,000	190,000	+ 46,000
Tilbury	51,000	+ 4,000	10,000	...	16,000	+ 4,000
Metropolitan	76,000	...	18,000	+ 4,000	29,000	+ 3,000
Metropolitan District	44,000	+ 1,000	11,000	+ 3,000	16,000	+ 3,000
Midland	1,924,000	+ 14,000	372,000	+ 11,000	400,000	+ 49,000
North-Eastern	1,299,000	+ 12,000	462,000	+ 37,000	252,000	+ 4,000
North London	73,000	+ 1,000	8,000	...	31,000	+ 2,000
North Stafford	107,000	+ 1,000	38,000	- 4,000	24,000	+ 7,000
South-Eastern and Chat. Joint	529,000	+ 26,000	170,000	+ 53,000	187,000	+ 41,000
Total	11,196,000	+ 79,000	3,011,000	+ 207,000	3,025,000	+ 660,000
Increase per cent.		+ 0.71		+ 7.4		+ 27.90

CHAPTER IX

AMERICAN AND ENGLISH METHODS

THAT our railway directors are too conservative in the working of the railways, that they do not see, and therefore do not provide for, the necessities of the times, is only too apparent. They are quite content to go along in the jog-trot style of a generation or two ago, and instead of spending the capital, say, upon waggons of greater capacity than those which have been doing service since primitive times, as they ought to do if they would compete economically with the growing traffic—or with the lessening traffic, if you like—we should see somewhat different results than we have witnessed of late years, and shareholders would have no need to regard the future with such growing apprehension. But this they cannot see, no matter how lucidly and forcibly it may be pointed out to them. We do not wish to imitate our friends across the Atlantic in many things they do. God forbid! But whilst we look askance upon their bad methods and ways, that is no reason why we should discard the good also. Railway directors are apt to resent

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the comparisons that are made between the different styles of working, and were it not that they had other interests to conserve as well as their own, we would pity their resentment, but would not deeply grieve over it. They must bear in mind, as I have said, that they are merely servants in whom we have placed a great responsibility and trust, and it is their first duty to put aside all personal predilections, desires, and propensities in the faithful discharge of their duties. If, on the other hand, they have the desire, but lack the competence, to discharge that duty, then they should honourably retire in favour of those who possess the ability. Or if they refuse to do that, they might listen without impatient petulance to advice, especially if they are able to recognise that that advice is given by people of intelligence. Although there has been an improvement in the past six months, the expenditure in the past years has been inordinately excessive by the increase in the train mileage, and this would have been obviated if the trains had carried more than they were allowed to do. What is the use of talking about cheaper fuel if this unnecessary expenditure is not only to be continued in the future, but is likely to be increased with the growth of traffic? And what is the use of growth in traffic if it be not economically and profitably handled? These are important questions, which deserve more than superficial consideration, for in this we see a surer hope of better dividends than in the reductions in the price of fuel.

We have only to compare the working of our

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railways with the working of the American railways to see what scientific methods can do. It must be admitted that in the past American railways were anything but successful undertakings, and that only of recent years have they begun to make profits and to pay dividends. In that respect our railways have been far superior to them, but in the future they may be far inferior to them. The Americans have had to meet with enormous difficulties, and they have had to devise ways and means of changing losses into profits, and their efforts are now meeting with their reward. One of the most effective methods of doing this has been to economize. This has been done by greatly increasing the average train-load by means of waggons of a larger capacity, and this has decreased the mileage run, with all its attendant expenses. And what is more, they have paid for all these improvements out of revenue, and not out of capital, hence they are able to make the most of any saving that may be effected. Of course, in many respects the conditions prevailing in the United States and in this country are different. But American railways have experienced the effects of falling rates, and in order to combat this they have had to resort to combination. There have consequently been many amalgamations in past years, and by this means they have been able to raise the rates, which were kept low owing to the severe competition between the lines previous to combination, and they are now working profitably, instead of at a ruinous loss. But there are restrictions placed on our railways by

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Parliament and the Railway Commissioners. Railway directors would only too gladly raise rates if they dared and if they were allowed to do so, in order to lessen their difficulties, but they cannot raise their maximum rates without obtaining the sanction of Parliament, nor raise the rates in force without the sanction of the Railway Commissioners. It has been stated, however, that the managers of one or two of our railways have gone to America to study working conditions over there, presumably with the idea of learning something, and it is to be hoped that their journeys will not be unprofitable. Therefore we may be encouraged to deduce from this that our railway directors are at last alive to the importance of studying American methods, and we are also encouraged to hope that it may lead to some effective reform in the working of the railways in this country, with the successful results that we have lately witnessed in the United States.

Some months ago that enterprising paper, the *Statist*, went to the trouble of getting information and figures wherewith to give a comparison between the leading railway of America, namely, the Pennsylvania, and the leading railway of this country, the London and North-Western. After presenting a mass of figures showing the growth both in the passenger and goods traffic for a number of years, it went on to say: 'Having thus shown that our railways, as typified by the London and North-Western, whose management is the best, have made practically no progress in the economical handling of either passenger or goods traffic in the past

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twenty years, we propose to show the enormous reduction in costs effected by the American lines under the stress of competition. We make the contrast with the Pennsylvania to show what can be accomplished by close attention to loading, for which the American lines have now become famous. It would, of course, be quite impossible for the Pennsylvania to handle goods and mineral profitably if it did not move its traffic in vast train-loads. The Pennsylvania's average train-load is 484·6 tons, the North-Western's is 68·6 tons. Of course, the Pennsylvania has to run many light trains, but, on the other hand, it is able to move trains of a gross weight of upwards of 2,000 tons. Hence its high average. Heavy train-loads mean a low cost per ton. First, the expenditure upon wages for the engine-driver, stoker, and guard are the same whether the train be a light or a heavy one. Secondly, heavily-loaded cars reduce the proportion of dead weight to the gross weight of the train, compared with the dead weight of lightly-loaded cars, and less fuel is required to move a given weight of goods. Thirdly, the wear and tear to the line is diminished by the smaller number of trains necessary to handle the traffic; for the greater portion of the wear and tear to the rails arises from stoppages, and the fewer the number of trains, the fewer are the stoppages, both by reason of the reduced number of trains and of the less congested state of the road. Fourthly, the total sum required for maintenance of locomotives and waggons is greatly reduced, as a much smaller number of loco-

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motives and waggons is required for handling the traffic. Fifthly, with a smaller number of trains there is less congestion of traffic, and consequently less delay and less waste. The fact that goods can be economically handled in heavy train-loads accounts for the ability of the American lines to carry traffic at rates which would mean bankruptcy to the railways of this country. For 1900 the average rate per ton per mile secured by the Pennsylvania and its lines east of Pittsburg was only $\cdot 27d.$ —that is to say, about one farthing per ton per mile, while the average rate secured by the London and North-Western was $1\cdot 189d.$ per mile, or nearly five farthings. In other words, the London and North-Western secured an average rate nearly four and a half times greater than the Pennsylvania. Nevertheless, the Pennsylvania Railroad secured such an enormous traffic at the low rates, and was able to carry the traffic so cheaply, that the proportion of its transportation expenses to its gross receipts was over 2 per cent. lower than that of the London and North-Western. Transportation expenses, we should state, is the actual cost of moving the traffic, exclusive of the sums spent on maintenance of way and equipment and general charges of the administration.

In a further article on this interesting subject, the same newspaper said: 'Last week we showed that British passenger and goods trains were loaded no more heavily in 1900 than they were in 1880, and that in consequence of this absence of progress the comparison of what our lines can accomplish

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in the way of handling traffic economically with what is done by American lines is very unfavourable—is, indeed, deplorable. This week we shall prove that not only have our lines effected no economies in the cost of moving a passenger or a ton of goods, but that the cost is now much greater than it was in 1880, and that the American lines have effected a very great reduction in the cost of handling both passengers and goods. Doubtless the high price of coal and material ruling here last year, as compared with 1880, partially accounts for the increased relative cost of moving traffic compared with twenty years ago; but it must be remembered that trade in the United States last year was also active and prices relatively high, and that the allowance which should be made for the higher prices ruling here than in the United States is, consequently, small. The fact of the matter is that wages and other costs have risen during the past twenty years, and that until now the British companies have been content to meet the rise in wages out of the profits arising from the additional traffic, instead of increasing the efficiency of the dearer labour by a more skilful and economical handling of the traffic. The question of economical railway working has, however, now become a matter of the first importance both to the companies themselves and to the country, and it is essential for those responsible for the management of the lines to take immediate and effective measures to reduce the present extremely heavy cost of carriage. It is scarcely necessary for us to indicate

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the important part that the cost of railway carriage plays in the cost of production, nor to point to the immense advantages derived by our American competitors in the manufacture and marketing of their products and produce from the extremely low rates now charged by the American lines. Everyone is, or should now be, fully alive to the seriousness of the competition which our manufacturers have to face in the free markets of the world owing to the cheapness with which American manufacturers can now produce and ship, and everyone should realize that our ability to hold our own will depend not only upon the adoption by our manufacturers of the most approved and economical methods for producing goods, but upon the ability of our railway managers to reduce the cost of carriage and to make concessions in rates. It is useless to hide from ourselves that we are face to face with a critical period in the country's history; that our pre-eminence in manufactures is being seriously contested; that we have now to meet competition where previously we had customers; that America, Germany, and Belgium are pushing us hard in the supply of iron and steel goods; that American bridges and American machinery have now as good, and apparently a better, market than our own; that the manufacture of cotton goods is growing very rapidly in the States, on the Continent, in India, and in Japan; and that we cannot fail to feel with increasing effect the ability of our competitors to produce more cheaply than ourselves. The progress of the

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United States industries, largely by reason of their possession of very cheap railway facilities, is undoubtedly causing uneasiness to those aware of the true state of affairs. The prosperity of our railways is bound up in the prosperity of the country, and if our trade suffers by reason of the failure of our railways to institute that economy in handling traffic which has been so successful in the States, the railways will suffer severely. They will, indeed, suffer to a much greater extent than any other industry. The traders of this country are well aware that economical railway working in the United States has been brought about by the stimulation of competition among the lines, and should our trade suffer by reason of high railway rates and absence of railway economy, it is not only possible, but probable, that an attempt will be made to prohibit pooling and traffic arrangements after the manner of the American law. And who knows whether or not the attempt may not be successful, in view of the present attitude of the Government and of the people of this country towards private trading? When we see that a Conservative Government encourages competition in the ocean telegraphs and in the telephones, and devotes the public money to forcing a reduction in ocean telegraph rates and in telephone charges, who can tell what may be done if our railways should arouse the antagonism of the great trading classes of the community by failure to effect savings in the cost of railway carriage and to make any reduction in rates when traders are hard pressed

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by competition? We trust, therefore, that the railways, in their own interests, will themselves move quickly in the matter, and effect economies in their own way without Government interference.'

I have given this long excerpt from the *Statist* not only because it voices my own views on this vitally important matter, but because it expresses them more lucidly and clearly than I could hope to do, and I trust, therefore, the editor will excuse the liberty I have taken. If this newspaper has not pleaded a strong and an almost unanswerable case, then I fail to conceive what a strong and unanswerable case is. It does not make mere assertion, but supports its contentions with an impressive array of figures and comparisons which I would like to reproduce, but conscience restrains me from trespassing any further upon the good efforts it has made and upon those labours which, it is to be hoped, will bear abundant fruit. Thus, apart altogether from railway shareholders, the country itself has equally as deep an interest in the economical management of our railways; for unless this economy can be effected our commerce will be seriously handicapped in the world competition at a time when it is in need of every help, and as time goes on it will have the greater need of that assistance. But the present policy of our railways, as evidenced in the ways of its administration, is directly opposed to the granting of these vital facilities to our traders, and thus it is opposed to the welfare of our commerce, and therefore to the welfare of the country itself.

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Our directors and managers see no other refuge from the consequences of their folly than in the raising of the rates, and the raising of the rates will be the very worst remedy they can adopt. What the country is crying out for, and will continue to cry out for, is a reduction in the rates; hence this mad policy will clash not only with the needs but the wishes of the country, and if persisted in it will result in the most deplorable consequences. The outlook is, therefore, as serious as it can be, and is enough to arouse the concern of the most light-hearted and optimistic. Investors will have to watch with what equanimity they can a gradual dwindling of their dividends until they may vanish altogether, and traders may have to watch with growing consternation the placing of heavier and heavier burdens upon them, whilst the economical position and prospects of the country will become gloomier and more hopeless than they ever have been.

It therefore behoves—no action on their part could be wiser—all members of the community to make a deep study of this interesting and increasingly important question. In the past it has been foolishly ignored. Shareholders have been far too indifferent to their interests; but the results of the past twelve months have so startled them, and the prospects of even worse results seem so assured, that they are actually beginning to lament their apathy. The only doubt is whether, now they are thoroughly awakened from their long sleep, their action will be vigorous enough, or even timely

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enough. There is the fear, too, that they may quickly succumb to their habitual lethargy, and leave things to drift—to chaos. What the present rubbing of eyes really portends, and what the general feeling amongst them of ‘Who would have thought it?’ will ultimately lead to no man can predict with dogmatism.

After its presentation and comparison of figures, the *Statist* draws from them the following startling conclusions, which should give us matter for some profitable reflection :

‘This—that is, the comparison—means that if the London and North-Western could carry as heavy train-loads of goods and passengers as the Pennsylvania its expenses would be only £2,600,000 against the present expenditure of £8,100,000 ; that its net earnings would be £11,200,000 in place of £5,800,000 ; and that its profits for ordinary stock in 1900 would have been £8,100,000 instead of £2,600,000, a difference of no less than £5,500,000. Of course, such a result is not within the range of possibility in this country. But it should be clearly understood that this is what has been accomplished in the United States. . . . We cannot, of course, anticipate that the railways of England will reduce the cost of carriage to the extent of the reduction in the United States, but we can and do expect them to do much better than they have done in the past. When everything has been said as to the relatively shorter haul of the English compared with the American lines—34·8 miles of the North-Western against the 110·1 of

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the Pennsylvania—and as to the much larger quantity of small consignments in proportion to the total traffic handled by English compared with American lines, there can be no doubt that our lines are woefully behind. All the considerations that can be thought of and which should be made for our English lines cannot justify a train-load of only 68 against the Pennsylvania's 484 tons.' And this strikes me, as an ordinary man, with a fair grasp of economics and possessing some slight ability to judge of the merits of investments, as sound, admirable common-sense.

CHAPTER X

COAL BILLS AND TRAIN MILEAGE

WHILST admitting that the railways have suffered very severely from the high price of fuel during the past twelve months, and especially during the past six months, it would be unwise of shareholders to repose upon the hope that a reduction in the price of fuel will restore the railways to a condition of prosperity. That it will make a difference, and a great difference, in some cases is admitted ; but if expenses increase in other directions, and if receipts fall off owing to depressed trade, anything like an appreciable improvement, and, above all, a permanent improvement, is out of the question as long as no effort is made to economize in other directions. It is that fact that I wish to impress upon them, if it is possible to find them impressionable to anything vitally affecting their interests. It may be argued—as it has been argued, both by chairmen and in the press—that if it had not been for the heavy coal bills the dividends would have been larger and possibly up to former standards. They would have been greater, but certainly not up to former

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standards, and if there is little prospect of keeping up to former standards, then we have incontrovertible evidence of retrogression. And the cause of this is not through mere unforeseen incidents like scarcity and dearness of coal, nor to cycles of bad trade, nor to dearness of material, but to radical defects in administration to those very radical defects that have recently brought ruin upon industrial undertakings that worked utterly in defiance of the law of cause and effect. The working expenses, for one thing, have for years past advanced by leaps and bounds, and this has not been through necessity, but from incautious and remediable improvidence.

But this fact was, as usual, quite ignored by the chairmen in their recent speeches. They discoursed sadly, and with that impressiveness which they were able individually to command, upon the heavy burdens which they had had to bear owing to the extortionate price of coal, and shareholders were convinced from this that their misfortunes could not only not have been avoided, but that they are temporary in their nature. Therefore, that the outlook cannot be dark and uncertain. Indeed, it is bright, for will not coal be cheaper in the future, and therefore will they not receive the dividends to which they have been accustomed in the past? In this way, I say, they are misleading themselves, and if they would only take the trouble of looking at figures and seeing the significance of them, there would be no need for me or any other man to preach to them, and to try and save them from

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the harmful delusions which they are cherishing. In Chapter VIII. I have given tables showing the effects upon some of the companies of the price of coal during the past twelve months, and I now supplement these with another table which gives the cost of fuel for the two half-years ending June, 1900, and June, 1901 :

Company.	First Half 1900.	First Half 1901.
	£	£
Great Central	150,105	178,564
Great Eastern	142,651	185,601
Great Northern	195,232	231,187
Great Western	295,810	450,188
Lancashire and Yorkshire	129,983	176,574
London and North-Western	331,574	487,722
London and South-Western	144,685	190,081
London, Brighton and South Coast	106,679	143,618
Midland	351,526	399,830
North-Eastern	247,840	252,191
North Stafford	17,072	24,555
South-Eastern and Chatham Joint	146,540	187,176
Total	2,259,667	2,907,287

From the above we see that the London and North-Western has paid the largest amounts for coal, followed closely by the Great Western and Midland, and some distance behind by the North-Eastern and the Great Northern. But the increase is not so great as was foreseen by the chairmen in their speeches in the early part of the year, for according to them there should have been an

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increase of quite a million, whereas, as we have seen, it was only between £600,000 and £700,000. In the tables I have given in Chapter VIII., which include a greater number of companies, the increase amounts only to £660,000, whilst in the December half of the previous year it was close on a million. During the first six months of 1900 the increase was a little over half a million in comparison with the corresponding period of the preceding year, so that, after all, the advance was not so great as directors would have us believe, the average being not quite £600,000 for the two half-years.

But the question is, Will this saving in fuel be permanent? That is by no means assured. Who can foresee when we shall experience another period of dear coal? These periods seem to come upon us suddenly, and there is no knowing when such another time may overtake us. Therefore, in the absence of any assurance of the kind we ought to discount the benefits we shall receive from temporary cheapness, and when it does become dear again, owing to a strike or some other cause, the effects upon our railways will be more disastrous than they have been during the past year. This is not pessimism. This is making the ordinary business-like estimate of possible contingencies, and it would be the height of folly merely to say, 'Let the future take care of itself,' especially as we have just been deploring the consequences of such indifference in the past. We may go on for years and enjoy the luxury of low prices. But we ought to look far beyond the immediate future if we

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would manage our railways with ordinary foresight, and to counsel such caution as this is not the counsel of pessimism, but the counsel of ordinary common-sense. It would be folly, for instance, to overlook the fact that labour is becoming more and more organized, and that public opinion is tending more and more to the granting of favourable conditions for labour. And in proportion as labour becomes more organized and powerful, the more will its demands have a direct and appreciable effect upon our railways and other industries, and in particular upon collieries and iron-works. We would be unwise to ignore the agitation that is taking place for the eight-hour system of labour in our collieries. If that succeeds, and many events are more improbable, what effect is it likely to have upon the output and price of coal? and therefore what effect is it likely to have upon the profit-earning powers of our railways? If manufacturers and traders and colliery owners have to pay higher wages, it will diminish their profits, and they will want greater concessions granted them by the railways in order to cope with competition and make a living.

I have already remarked briefly upon the saving that has been effected in mileage during the past year, and this is a hopeful sign. It is to be hoped it will be continued, for if it can be done once, it can be done always. The following table shows the saving made in this respect by the twelve leading companies during the first half-years of 1900 and 1901:

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Company.	First Half 1900.	First Half 1901.
Great Central . . .	9,197,888	8,954,609
Great Eastern . . .	11,012,753	10,761,766
Great Northern . . .	12,351,684	11,762,667
Great Western . . .	22,760,162	22,324,976
Lancashire and Yorkshire .	9,166,498	8,887,802
London and North-Western .	23,870,635	23,032,184
London and South-Western .	8,629,488	8,557,360
London, Brighton and S. Coast	5,194,809	5,122,876
Midland	23,487,547	23,002,450
North-Eastern . . .	15,841,520	15,250,341
North Stafford . . .	1,452,828	1,429,927
South-Eastern and Chatham .	7,083,752	6,876,090
Total	150,049,564	145,963,048

Here we see a saving of over 4,000,000 of miles, and it is impressive of the economy that can be introduced under one head if a determined effort is made to try it. When we look at these figures, we must not overlook the fact that during the first half of 1899 there was a large increase in the mileage run, which largely discounts the decrease during the past six months. All this, of course, has helped to keep down the coal bill, but if the saving is merely temporary, and if it be not kept up in the future, then it will help to neutralize the benefits to be received from the cheaper price of coal. In fact, some chairmen told us that they did not think there was much, if any, room for a further reduction of train mileage, and if, therefore, the utmost economy has been effected under this

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head, with the possibility of increase in the future, we may look upon it as a somewhat disquieting symptom.

One company, at any rate, is showing an example that can be followed by others, and I fail to see what excuse these can offer if they refuse to follow it. The company I refer to is the Lancashire and Yorkshire Railway Company, which showed an increase of over 6 per cent. in its earnings per goods-train mile, as compared with the first six months of 1900, though as regards its passenger traffic the saving is unfavourable in comparison with that of many of the other railways. At the recent meeting of the company the chairman said that this reduction in the goods-train mileage was effected by the increased loading of the goods and coal trains. The company had adopted the American system, under which their trains had been made up to a tonnage basis equal to the haulage capacity of the engine, and not, as heretofore, upon a given number of waggons, and this had enabled them to utilize the locomotive power to the fullest extent, thereby not only effecting a saving in running expenses, but relieving the congestion which prevailed at many points on the line. And he went on to admit that it was principally to this that the company must look for future economies. This is, indeed, a significant admission, and it forcibly supports all my contentions. The Hull and Barnsley decreased its mileage to a greater extent than any other railway, but the earnings per mile were not so large as in the case of the Lancashire

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and Yorkshire. Next to that company comes the Metropolitan, with a decrease of 14·9 per cent. and a saving per mile of 19·7 per cent., and therefore has a far better show than the Hull and Barnsley.

Of all the great companies, the Midland was the only one that failed to show an increase in its goods earnings per train mile, the North Eastern showing an increase of 3·9 per cent., the Great Northern 3·7 per cent., the Great Western 3·2 per cent., the London and North-Western 2·7 per cent., the Great Eastern 2·5 per cent., the South-Western 2·1 per cent., the London and Brighton 2·2 per cent., the South-Eastern and Chatham 1·0 per cent., and the Great Central 0·6 per cent. In the passenger traffic the principal increases, taking the leading companies only, were: the Great Central, with 8·7 per cent., the Great Eastern 6·1 per cent., the London and Brighton 5·4 per cent., the North-Eastern 5·2 per cent., the South-Eastern and Chatham 4·8 per cent., the Midland 4·2 per cent., the Great Western 3·7 per cent., the London and North-Western 3·0 per cent., the London and South-Western 2·2 per cent., and the Great Northern 1·8 per cent. So in this respect a good start seems to have been made. Will it be kept up? No one can answer that question but railway managers and directors, but it is a matter which shareholders should not overlook, and should there be retrogression in the future it would be advisable for them to ask the reason why.

CHAPTER XI

THE OUTLOOK

I HAVE expressed it as my opinion that the outlook, as far as the leading railways of the United Kingdom are concerned, is far from promising, and I must try to the best of my ability to justify that opinion. But by outlook I do not mean the immediate outlook. I do not mean the outlook for the next six months, nor the next twelve months, for to look so near ahead seems to be tantamount to that near-sightedness which is said not to look beyond the end of one's nose. When we invest in stock like that of our home railways, we do not invest for a limited period of a year or two, but for a great many years, even for a generation or two, so that we may leave that stock as a legacy to our children, and as a valuable, not as a worthless, legacy. Therefore we should, if we wish to be far-seeing and wise, look ahead far into the future, and when we sit down and try calmly to penetrate into that future, we see nothing bright enough to make us hopeful. In the preceding chapters I have tried to show that the misfortunes

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that have overtaken our railways in recent years are not temporary in their nature, but are abiding, and that spasmodic and half-hearted expedients are not the most effective means whereby we can lighten those misfortunes. Those expedients have been tried, and they have failed, but notwithstanding their failure it seems as if they will be tried again and again, with results that may easily be foreseen. The policy adopted has been a wrong policy, and persistence in a wrong policy can bring but certain consequences—those consequences that we are all now beginning to deplore.

And this is the opinion that is, at last, gaining gradual, almost imperceptible, but nevertheless sure ground, notwithstanding the fact that every effort has been made to belittle the troubles against which our railways are now struggling. Economies may be effected during the next six and twelve months by the lower price of coal and of materials, but at the same time expenditure—unremunerative expenditure—will grow too, and this will help to minimize the benefits that are expected to accrue. If we look far enough ahead we shall not fail to see that the cost of railway working will tend to grow as labour becomes more closely united, as wages advance, and as working hours are reduced. Moreover, the increase of competition for the world's trade will have its indirect, but its appreciable, effects upon our railways, for greater and greater pressure will be brought to bear upon them by our manufacturers and traders to reduce their rates for the carriage of goods, and all these possibilities and

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probabilities it would be folly to ignore. There will thus be a strenuous contest between the railways and traders, for the tendency of railway administration is not to lower but to raise the rates, and it would be too sanguine to expect the happiest results from such a contest. To raise their rates the companies will have to get Parliamentary sanction, and it seems to be most unlikely that they will get it, especially if Parliament sees that it would be opposed to the feeling and the interests of the country. And if they cannot seek salvation in the raising of their rates, I would like to know where else they will look for it, for it is evident that they will not look for it where it is most likely to be found—that is, in greater economy of working, in less improvident expenditure of capital upon unremunerative work. Unless, therefore, our railways adopt new methods of working by which goods-trains and passengers can be more economically moved, profits will show a greater and greater tendency to diminish. Will the companies find this method of overcoming their increasing difficulties, and of extricating themselves from what threatens to be a most unpleasant position? That is the pertinent question, but silence is the only answer we receive. And this dogged reticence is not presageful of good.

Moreover, it is by no means an improbability that if trade becomes more and more depressed—and the immediate outlook points to this—relief may be sought in an *agitation* to have railway rates reduced, simply to give that relief to trade of which

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it may be in need. Such an agitation would undoubtedly be popular, and should it grow to such proportions that Parliament could no longer ignore it, but acceded to the nation's demands, what would be the result upon railway earnings and profits? We have only to sit down and imagine it to realize what it would mean, and what incalculable losses it would entail upon railway investors.

And even if the price of coal becomes cheap, how long will this cheapness last? I do not think anyone can rest contented that it will be a permanent cheapness. The colliery owners and the miners may soon become alarmed by it, and do their utmost to restrict the output and raise prices. If colliery owners see their profits dwindle, with the possibility of working at a loss, they will try to seek relief in ways that will be detrimental to the interests of the railway companies in more ways than one. They may try to cut down wages, but the miners of this country are not the men to submit to a sacrifice of that kind, especially as they feel they are becoming more and more powerful by combination. And precisely the same thing may happen with the employés of the railway companies themselves. There is no knowing what injudicious action our railway managers may resort to in their perplexity, and in order to relieve their difficulties. If they see no hope in raising rates, they may see it in reducing wages, and such an act would only aggravate the evils; for railway servants will not submit to any sacrifice of the kind, and there is no doubt that popular sympathy

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would be with them, and who will say that popular sympathy would not be right if it saw in it a punishment of the innocent for the shortcomings of the guilty?

At the annual dinner of the Railway Benevolent Institution some months ago, Lord Stalbridge, the Chairman of the London and North-Western Railway, said he had no doubt whatever that the country had entered upon a cycle of what was called bad trade. There had been a boom in trade during recent years, and they had been enjoying a prosperous (?) time, but it was as certain as the sun sets that there would be a cycle of bad years, and, looking at that fact, it was the duty of everyone to see what could be done to effect the greatest economies possible in the working of the lines. They were prevented by Parliament from making profit in any other way than by economizing. When trade was good they could not raise their fares or tolls, because they were prevented from doing so by Parliament, and when trade was bad they had to keep to the same fares and tolls. Not having the elasticity of other commercial bodies, railway companies were obliged to do the best they could for themselves; but, at the same time, they always had an eye to what they knew was best for the trade of the country, for the fostering of the trade of the country was the one way in which they could increase their profits.

These are admirable sentiments, and no fault can be found with them. The only regrettable thing is that, like all sentiments, they are not put into

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practice, but merely remain sentiments, and are of no practical use in the everyday business of life. It cannot be said that the railway directors do not *see*, but it seems to be an unfortunate delusion of theirs that they *act*, when we have ample evidence to show that they do not get beyond these ideal visions. They may have 'an eye to what they know is best for trade,' but what we need most is the *hand* to do what the eye seeth fit to do ; but the hands seem to be kept in the pockets in an attitude of passive meditation. That is all we find fault with. We want to see activity, not passivity, for it is from activity only that fruitful results can come. Where is the evidence of this economy of which he speaks in so self-satisfied a manner? We do not see it in the results, and we do not see it in the fact that for the past twenty years the relative cost of carrying goods and passengers has increased, and not decreased, as he would lead us to infer.

Respecting the example set us by America, Lord Stalbridge went on to say that the system of traffic in this country was so different from what it was anywhere else that it was impossible to economize in train-loads to the same extent as was done in America. In this country a merchant in Manchester, Liverpool, Leeds, York, or any other of the big towns, feels that he must receive in the morning the invoice of goods awaiting delivery that left London only the night before, whereas in France and the rest of the Continent they had never less than three days allowed for delivery, and at some distances, five, six, or seven days. If

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goods could be left that time in this country, so that full trains could be made up and despatched at convenient times, the goods traffic could be carried on more cheaply; but it would be impossible for railway companies to reduce the rates if they had to deliver with the expedition prevailing at the present time. With much of this opinion we cannot but agree. The conditions are different, but, nevertheless, that is no proof that further economies are not possible. The effort has not been made to see what can be done by larger waggons and greater train-loads, except in the case of the Lancashire and Yorkshire, and the results of the adoption of the methods of American practice on the earnings of the latter point unmistakably in one direction: in the direction of further possibilities of economy, if the experiment will only be made. At the same time, there is no reason why the traders of this country should not make a note of this, and see if they cannot meet the railway companies half way. There is no reason why they should not put their heads together in a friendly, gentle kind of way, for less harm is likely to come of it than by banging them together in an angry, hostile mood, for a few cracked heads might result from it.

As the *Statist* pointed out, the difference in the train-loads of the Pennsylvania and the North-Western was 480 to 68 tons, which looks as if there is ample room for increase, even if it be increased by only another 100 tons.

Something might be done in the way of economy

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or, at least, some little benefit might be derived from a greater harmony between the railway companies themselves. But that harmony seems to be woefully lacking, impressive evidence of which we have lately had in the insane racing to Scotland. In this respect, too, they might beneficially follow the example of American railways, which are receiving enormous benefits from community of interest, as it is called. It seems hopeless, however, to look for any such reform in this country. They are more likely to fly at each others' throats if one sees the other attempt to steal anything that seems like a march upon it. If wisdom of this kind is lacking in their counsels, and folly leads them into insane contests of this kind, then that folly may play havoc in other directions.

But as traders can do something in their own interests, shareholders should not overlook the fact that they may also do much in theirs. The rates imposed upon the railway companies by local bodies are becoming more and more excessive and more and more unjust, whilst the tendency still is to increase them. These are growing burdens, and if they continue to grow it will accentuate future difficulties and misfortunes. As shareholders are ratepayers, they may be able to bring some effective pressure to bear upon local bodies in lightening the burdens upon the railways. The question has now got to that acute stage that action of this kind is urgently necessary. Railway directors are, of course, helpless in this matter. They can do nothing to alleviate their burdens, but must grin

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and bear them. This is a matter for the shareholders only, and they know not what good they might do until they try. Indeed, it has been suggested, and there seems some probability of the suggestion being put into practice, that an association of British railway shareholders be formed to look after their interests. There is no need for such an association to be inimical to the railway companies; there is no reason why they should not work harmoniously together for their common good, for wisdom and reason may come of the putting of such a multitude of heads together. At any rate, the suggestion is one to be seriously considered, for it should be more beneficial than harmful, and as an experiment it would be worth trying. The movement, even if it does not crystallize into any such institution, is certainly significant of the awakening of shareholders to the dangers of their positions, an awakening that cannot be regarded as premature.

The future of the railways is jeopardized, too, as the directors of our two Metropolitan railways will testify, by the threatening competition, which will surely become more and more formidable, of electric trams and railways. The effects have already been felt in a slight way, and though the competition may not be severely felt in the near future—except in London—still it is a contingency which should not be left out of count when estimating the future prospects.

If the forecast I have given in this chapter is pessimistic, what effective answer can be given to it from the optimistic point of view? That view

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has been as powerfully stated as it can be by Messrs. J. D. Walker and Sons, the well-known Edinburgh stockbrokers, and it would not be time ill spent to consider what they have to say.

‘The almost uniform decline in the prices of home railway stocks,’ they say, ‘is due rather to general influences than to the poor dividends; for these, although not without effect, eked out as they have been in some cases by resorting to reserves, had largely been discounted, and were, indeed, in the main pretty well what had been expected—some worse and some rather better. Particulars of the announcements of the months are as usual given further on, and, having pretty fully dealt with them in our dailies, we need not here again enter into detail. Suffice it to say that there is more than a suspicion in some instances, through the extra heavy charges for maintenance of way and repairs of rolling-stock, that the opportunity has been turned to account to “clear the decks and start fair,” by charging the past half-year’s revenue, under cover of that convenient “big cloud,” the exorbitant coal bill, with special outlays that might otherwise have been spread over a period. The South-Eastern and Chatham joint report, for example, brought out an increase of about £45,000 in upkeep of permanent way, and about £40,000 in repairs of locomotives and carriages and waggons, which together more than paralleled the 40 per cent. increase in the coal bill.

‘The results of so exceptional a period, with contracts at the higher prices having apparently in most cases run on to the end of the half-year, are surely no sort of criterion at all on which to base railway values. It doubtless is the case that were such a basis to be fully adopted, prices should go lower still; but in the fall that already in anticipation had taken place, the effect on net earnings of a cause at once so temporary and already so obviously a ‘matter of history’ has, judging both by experience and by the practical certainties of the immediate future, been carried further than is warranted.

‘In the half-year now begun the prices at which the principal coal contracts have been renewed, namely, 9s., against the previous ruling rate of 16s., furnish a ready enough basis

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whereon to figure out the gain in this one particular item; and it is to be borne in mind that not only is this large saving in progress in the locomotive department, but that coal otherwise is largely used by the railways, and that in the price of other articles, such as steel and iron, it enters as a chief item into the cost of a railway's supplies. It may, indeed, be assumed that the direct saving in locomotive coal tells but half the tale, as a reference to the accounts while costs were on the up grade will readily enough bear out. Steel and iron, for example, whereof the railways are such large users, are down fully £2 per ton as compared with what till now they have been costing.

‘It is true that the capital burdens keep steadily on the increase, evidence of which is furnished by the demands of some of the companies even under these exceptional circumstances, and this no doubt is an argument against the complete restoration of railway prosperity save on the footing of a proportionate expansion in gross earnings; but, serious although it may be admitted to be, and calling for the earnest consideration alike of railway directors and shareholders, yet as regards the more immediate outlook the growth of interest charges promises to form an adverse offset of but a relatively trifling amount, as against the huge saving in the coal bill and cost of materials.

‘If in addition to this saving the traffic should show renewed expansion, as suggested by the promise of a revived activity in trade, the scope for a recovery in railway values is indeed great. Some time ago we had occasion to point out the somewhat parallel case of the wholesale interruption to traffics and severe shrinkage in dividends equally due to a temporary cause, namely, the 1893 colliers' strike, in course of which not only was the shrinkage in stock market price smaller proportionately to the reduction in dividends, but the rebound, so soon as the disturbing cause was seen to be nearing an end, was more rapid than, and more than made good, the fall. In the present instance a combination of other adverse factors has helped to accentuate and prolong the depression, but these likewise giving promise of passing away, the recovery ought in due course to be the more marked.

‘Investors are scarcely likely to allow their estimate of

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value to be determined on so ephemeral a basis, and in course of the month they have given testimony thereof by buying rather than parting with their stocks at the decline, looking as they have done in the light of past records to the progressive character, over a series of years, of railway earnings, and the prospect of what under normal conditions their dividend-earning capacity may therefore be expected to prove.

'While as regards the more immediate future the "coal bill" may be looked to primarily to assist in the restoration of this normal prosperity, a good deal may be done, perhaps, in the direction of even an increased prosperity in the future if the lessons of this recent adversity be sufficiently taken to heart. Reverting, for example, to the question of continued capital expenditure, and the scarcely less important and closely-allied questions of an excessive train mileage and lack of harmonious arrangements between rival lines, not to speak of the adoption of improved and more economical methods of working, much, we think, might be done towards bringing pressure to bear on a railway administration too supine or really unable to take the initiative in the way of "retrenchment and reform."

'By the way, where changes in conditions of working are so extreme as has within the last year or two been experienced, a grave injustice is done to those interested in railway ordinary stocks by the effect on working expenses being for so long a period as six months withheld from their knowledge. We do not suggest that those in a position of privileged responsibility, such as directors and officials, would so turn their opportunities to account as to engage against their shareholders and the public in what would be nothing other than "loaded dice"; but the temptation certainly should not exist, with always the chance of a leakage in favoured directions to the disadvantage of those better entitled to a knowledge of what is going on. In any event, there seems no reason that such modifications in the results of railway working should be for so long a time withheld from the proprietors, with the result, as has lately been seen, of unpleasant surprises and needless apprehension. What can be done in the way of the monthly publication of net revenue in Canada and the United States can surely as readily be accomplished by the railways of this country; and, indeed, in past years this actually was done by the Brighton,

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and discontinued for no sufficient reason, so far as we could see.

‘With sentiment turning round as it is doing—literally turning its back on a page of railway history about to prove itself as evanescent as for the time being unfortunate—the recovery in prices should, at all events in its early stages, due as it is to but the one cause, prove to be somewhat indiscriminating. In other words, non-dividend-payers and stocks that in course of this recent “time of tribulation” have for the nonce fallen from the dividend into the non-dividend ranks have quite as much chance of recovery as regular dividend-payers that have shrunk in yield and price, and perhaps more scope—at all events from a “percentage” point of view.’

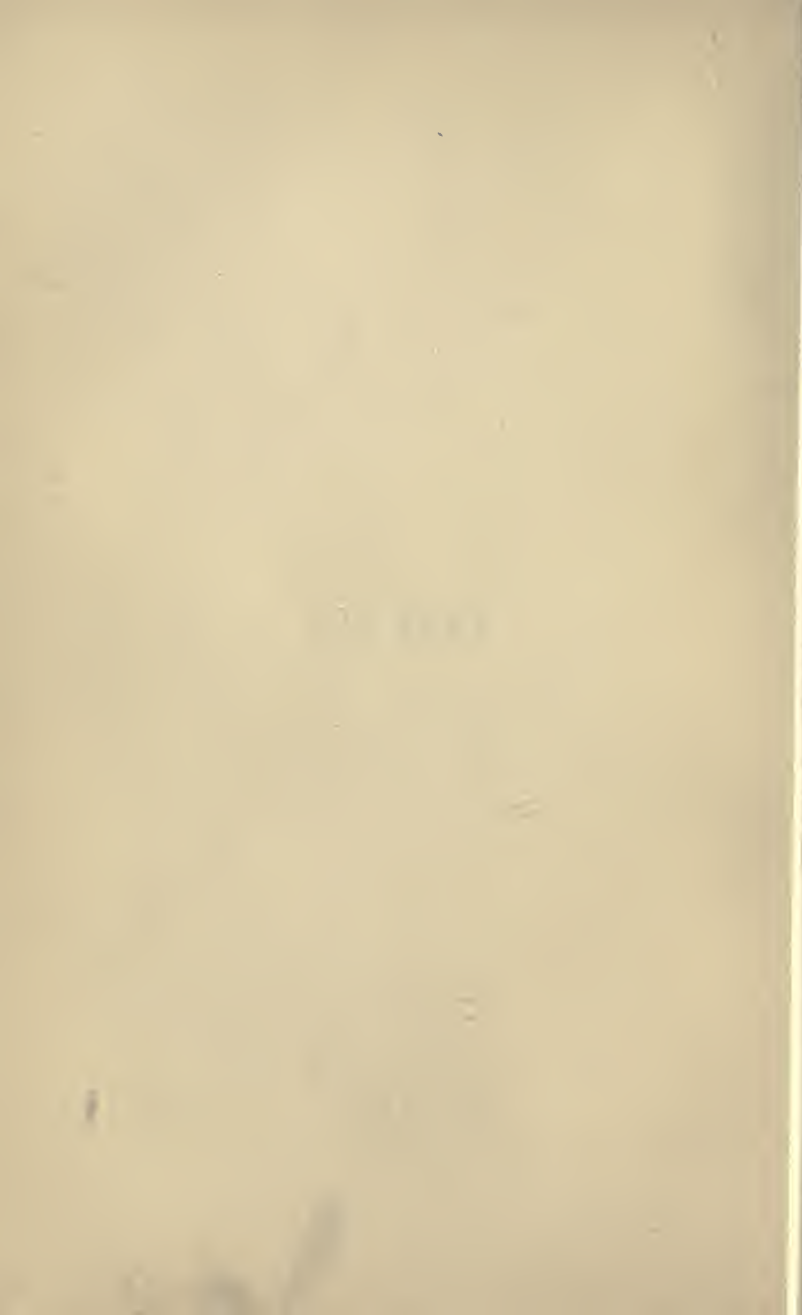
I see nothing very convincing in what Messrs. Walker have to say. To speak of ‘general influences’—whatever that might mean—as being responsible for the decline in stocks seems to me to be begging the question, and to be wilfully ignoring most impressive and obtrusive facts. Even if the poor dividends had been discounted, there still remains the deplorable and significant necessity for it, which Messrs. Walker disdain in too supercilious a fashion. The question is, Shall we have to keep on discounting them in the future? and we must depend upon something more substantial than suspicion if we are to answer dogmatically in the negative. Messrs. Walker look too light-heartedly upon the increasing capital burdens; and as for the promise of a trade revival, I fail to see—and even many of the railway directors fail to see—where the signs of such a promise are. And where is the ‘progressive character of railway earnings’ of which they speak? I thought it was patent to everybody,

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even to the directors themselves, that they had been retrogressive, a fact that will be confirmed by the tables of figures I give in former chapters. However, after saying so much, they return to the serious question of capital expenditure, and, on second thoughts, admit the vital importance of it. As regards their suggestion to give investors more information in the weekly returns, I cannot but cordially endorse it, and I sincerely hope it will be taken up by the shareholders. I can think of no sufficient reason why such information should be withheld from them, and if it can be done by other railways, it can be done by ours. It would be a protective measure that would be a great and a welcome boon.

In the Appendix I give another expression of their sanguine views, in the shape of a letter to the *Financial Times*, which was an answer to an article written from the opposite point of view—the pessimistic one. I give the arguments on both sides, as I think they are both worthy of consideration, and both contain plenty of food for reflection. I need hardly add that my sympathies are with the views taken by ‘Mercator.’

PART II



CHAPTER XII

THE LONDON AND NORTH-WESTERN RAILWAY

It is a platitude to say that the London and North-Western Railway is the leading railway in the United Kingdom. Its capital is the greatest and its revenue is the largest, and there is no likelihood of any other railway ousting it from its pre-eminent position. Its mileage is not so great as that of the Great Western, being $1,939\frac{3}{4}$, against the latter's 2,780, but by reason of its revenues and its prospects it enjoys a better credit. During the last twenty years—from 1881 to the end of 1900—its debenture capital grew from £23,186,566 to £38,157,673, its preferential capital from £36,878,526 to £38,181,026, and its ordinary capital from £34,072,576 to £42,731,878, whilst in the same period its gross receipts have increased from £9,980,267 to nearly £14,000,000. The debenture stock carries an interest of 3 per cent., having been converted from 4 per cent. in 1893, which added a little over £9,000,000 to the nominal capital of the company. The £15,100,406 consolidated guaranteed stock is a 4 per cent. security, and is

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non-contingent, whilst the £23,080,620 consolidated preference stock is contingent, and carries 4 per cent. per annum. The following table gives the highest and lowest prices, and dividends paid on the ordinary stock and balances carried forward since 1885 to the end of June, 1901, whilst the prices have been brought up to the end of October.

Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.
			£	£
1885 . .	170 $\frac{3}{4}$	153 $\frac{5}{8}$	6 45,015	7 66,037
1886 . .	167	151 $\frac{1}{2}$	5 $\frac{1}{2}$ 59,441	7 87,238
1887 . .	169 $\frac{1}{4}$	160	6 65,931	7 94,802
1888 . .	173 $\frac{1}{4}$	163	6 83,591	7 $\frac{1}{2}$ 97,148
1889 . .	189	173 $\frac{3}{8}$	6 $\frac{3}{4}$ 97,310	8 111,048
1890 . .	185 $\frac{1}{2}$	174 $\frac{1}{4}$	6 $\frac{3}{4}$ 99,392	7 $\frac{3}{4}$ 110,099
1891 . .	180 $\frac{3}{8}$	168	6 $\frac{1}{4}$ 88,706	7 $\frac{3}{4}$ 92,109
1892 . .	177 $\frac{1}{4}$	170 $\frac{3}{8}$	5 $\frac{3}{4}$ 78,080	7 $\frac{1}{4}$ 80,672
1893 . .	176 $\frac{1}{4}$	162	5 $\frac{1}{4}$ 51,460	5 $\frac{1}{2}$ 42,140
1894 . .	179 $\frac{3}{4}$	161 $\frac{1}{2}$	5 $\frac{3}{4}$ 61,565	6 $\frac{3}{4}$ 53,459
1895 . .	187 $\frac{3}{4}$	174 $\frac{7}{8}$	5 $\frac{1}{4}$ 56,095	7 $\frac{1}{2}$ 67,208
1896 . .	209 $\frac{5}{8}$	185 $\frac{3}{4}$	6 $\frac{1}{4}$ 81,763	8 99,778
1897 . .	209 $\frac{3}{4}$	198 $\frac{3}{4}$	6 $\frac{1}{2}$ 95,015	7 $\frac{3}{4}$ 89,535
1898 . .	205 $\frac{1}{2}$	195 $\frac{1}{8}$	6 $\frac{1}{4}$ 91,269	8 87,505
1899 . .	205 $\frac{1}{4}$	195	6 $\frac{1}{2}$ 94,105	7 $\frac{3}{4}$ 89,891
1900 . .	198	174 $\frac{3}{4}$	6 72,329	6 $\frac{1}{2}$ 80,034
1901 . .	180 $\frac{1}{8}$	158 $\frac{1}{2}$	4 $\frac{1}{2}$ 32,918	— —

This is a very good record, but unfortunately it shows evidence of retrogression, the past half-year being the worst for something like forty years, whilst the current half-year shows little hope of improvement. Up to the middle of November there is a decrease of no less than £84,000 in the goods

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receipts, but the passenger receipts have increased by £31,000, showing a net decrease of £53,000, which is not likely to raise the hopes of the despondent.

The statement of accounts for the past six months presented the following results :

	1901.		+ Increase or - Decrease.
	£		£
Traffic receipts, rents, etc. ...	6,547,856	...	- 71,529
Less working expenses, ditto	4,276,197	...	+ 235,823
	<hr/>		<hr/>
Profit on half-year's working	2,271,659	...	- 307,352
Miscellaneous receipts ...	84,977	...	- 11,189
	<hr/>		<hr/>
	2,356,636	...	- 318,541
Less interest on debenture stock ...	£541,085		
Chief rents, leases, etc. £134,445			
	<hr/>	675,530	... + 20,935
	<hr/>		<hr/>
	1,681,106	...	- 339,476
Balance from previous half-year	80,035	...	- 9,856
	<hr/>		<hr/>
Available for dividend ...	1,761,141	...	- 349,332

It was accordingly recommended that dividends at the following rates be declared : 4 per cent. per annum on each £100 of guaranteed stock, absorbing £302,008 ; 4 per cent. per annum on each £100 preference stock, absorbing £461,612 ; and $4\frac{1}{2}$ per cent. per annum (as against 6 per cent. in the corresponding period) on each £100 of consolidated stock, absorbing £964,602. These together amounted to £1,728,222, leaving a balance of £32,918 to be carried forward, as against £72,328 in the corresponding half-year. The amount received for passengers, etc., merchandise, live stock, and minerals, the number of passengers, the tons of merchandise and minerals carried, and the train miles run, were as follows :

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				1901.	+ Increase or - Decrease.	
				£	£	
Passenger, etc., receipts	...			2,729,234	...	+ 35,195
Merchandise, live stock, and mineral receipts	3,689,566	...	- 106,036
Total	...	...	...	6,428,800	...	- 70,841
Passengers	...	...	No.	40,985,570	...	+ 83,120
Merchandise and minerals			Tons	20,873,396	...	- 1,763,308
Mileage of passenger trains			Miles	12,423,629	...	- 217,402
Mileage of goods and mineral trains	...	...	Miles	10,608,555	...	- 621,049

The decrease in revenue receipts was £71,529, and the increase in expenditure £235,823, as compared with the corresponding half-year of 1900. Of the Bills submitted to the proprietors, said the directors in their report, at the special general meeting on February 19 last, the one promoted by the company was rejected on second reading by the House of Commons. The opposition was based upon a question relating to the re-housing of the working classes, which was not in any way the subject of, or affected by, the Bill. In these circumstances it was ruled by the Speaker that it would be out of order to discuss the facts, and the directors venture to think that the Bill, which would have enabled the company to provide additional accommodation in the public interest (including a new dock at Garston), was rejected under a misapprehension. The other companies' Bills have received the royal assent. Messrs. Pickford and Co., who had for very many years acted as carting agents to the company at certain stations for merchandise traffic, having terminated their agreement with the company on June 30 last, the business has since that date been conducted wholly by the company's own staff and horses. It is confidently expected that increased efficiency and economy will result. The Board has elected Mr. Joseph Bruce Ismay, of Liverpool, and Mr. Frederick Baynes, of Blackburn, to fill the vacancies in the directorate caused by the decease of

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Mr. John Bateson and Mr. Francis S. P. Wolferstan. In order to complete the equipment for the sea service between Holyhead and Dublin, in connection with the passenger traffic, another twin-screw steamer of the same type as the *Cambria* has been ordered, also another cargo-boat of the same type as the *South Stack*, which has been working during the past half-year, and has given every satisfaction. The votes of the proprietors are requested for additional land and works at Fleetwood, Leeds, London, Watford, Bescot, Morecambe, Coventry, Birmingham, Abergavenny, Wolverhampton, Broadheath, Ince, Ansdell, Huddersfield, Preston, St. Annes, Bushey, Potton, Carnforth, Pennington Branch, Derby, Heckmondwike, Gildersome, Manchester, Willesden, Birkenhead, Rotton Park Road, Rhuddlan, Great Dalby, Broad Oak Junction, Prestatyn, Newton Road, Liverpool, Banbury, Monmore Green, Ffrith, Llanfynydd, Ellesmere Port, Hereford, Church Stretton, Leominster, and Moreton, amounting to £121,256.

Credit must be given to the directors for an effort to decrease the expenditure, but in spite of all their efforts the results are very disquieting. The saving in train mileage of 838,450 miles shows what can be done in this direction, and possibly we shall see a further saving under that head in the current six months. The sum spent on capital account was £746,348, including £160,545 for working stock. In the current six months £635,000 more is expected to be spent on capital outlay. The company has put little stock on the market during the half-year, but it has now on hand over $2\frac{1}{2}$ millions, and as the capital account was largely overdrawn, fresh stock is likely to be put on the market soon, notwithstanding that it has a considerable sum in hand in the form of insurance funds, superannuation fund, widows and orphans fund, savings bank funds, clerks' guarantee fund, and other funds.

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At the half-yearly meeting of the company Lord Stalbridge said he regretted the report was not more satisfactory, but he hoped to show that it was unavoidable. He told the shareholders that they need not be dispirited at the outcome of the half-year, because it was due to the price of coal, so that he hoped the next half-year would show very different results. He congratulated the shareholders on the excellent traffic the company had had to Scotland during the past week or fortnight, which seemed very much like drawing a herring across the trail, as if a temporary increase of that kind was to save the company from further disaster. The main feature of the traffic, he pointed out, was the tendency to increase in the average rate per passenger. The principal cause of this was the loss of short-distance traffic in the neighbourhood of large towns, particularly in London and Liverpool, through the installation of electric trams and railways, which were growing all over the country. In some instances they acted as feeders, but in the case of short suburban traffic they undoubtedly did abstract traffic from the company. The decrease in third class was owing to the large number of soldiers carried last year, and not this. Parcels, mails, merchandise, etc., brought the increased traffic to £54,953. But unfortunately they had to deduct from this—if they could deduct the greater from the less—£16,347 decrease in live stock and £109,447 in minerals. There was thus a net decrease of £70,841. The expenses on the revenue account were £235,823 more, and other items brought the deficiency, as compared with June, 1900, to £358,042. This was met by reducing the dividend by £318,632, and the balance carried forward by £39,000 odd. They were certainly carrying forward a smaller balance (£32,918) than they had been in the habit of doing in late years, but it was not smaller than they had carried over in past years, and, although he did not like making comparisons with other railways, it compared favourably with the Midland, who had carried over £11,046, and the Great Western, who had carried over £19,730.

As to expenditure, in maintenance of way they had made a saving, but this had not been owing to any decrease in the maintenance of the line, which was one of the first objects of importance with the Board, and placed them in a higher posi-

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tion in the country than any other line, for he believed they had the best permanent way in the world. He wished it to be noted, moreover, that very nearly the whole of the company's main lines had been ballasted with granite ballast, the result of which was that on a journey from London to Carlisle it was found unnecessary to wipe a single particle of dust from the windows. This line, indeed, was the one in the world that was freer from dust than any other, and he was glad to know that the public had found this out. Under the head of locomotive power the expenses were very high. The extra cost of coal and coke amounted to £156,148. The price of coal, however, had now fallen very considerably, and he trusted it would never again reach the figure at which it had stood in recent times. The attention of the officers had been directed very seriously to the reduction of train mileage, and with very satisfactory results, for there was a total diminution of 838,451 miles. The running expenses had also decreased. They were building a new class of very powerful engines for both passenger and goods traffic, and the result of the working of these had been very gratifying. In many cases they had been able to do away with assisting engines, and in many instances two engines were now doing the work of three. There was an increase under the head of carriages and waggons, because they had a very much more valuable class of carriage than they had had hitherto, and these required thorough maintenance. He thought their carriage stock would compare favourably with any carriage stock in the world, and the smoothness of its running was well known everywhere. His Lordship then proceeded to amplify several paragraphs of the report, first referring to the Bill which was thrown out by the House of Commons owing, as the Board said in their report, to a misapprehension. On this he expressed a hope that the result of the Committee which would be appointed next session to consider the Standing Orders of both Houses relating to private Bills would be that private Bills would not be brought before the notice of the whole House before the third reading. They would then have passed through Committee, and the amendments necessary would have been made in Committee.

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He then went on to speak of the growth in capital expenditure, and made the startling announcement that the engineer's report on the progress of works contained hardly one item that might be expected to bring in one additional penny of revenue to the company. But the excuse he offered was that they were all works which were needed to carry on the business of the company with greater economy, which is, indeed, a strange idea of economy, seeing that work of that kind ought to be charged to revenue. Respecting the adoption of American methods, he merely repeated what he said at the dinner of the Railway Benevolent Institution, and indirectly said that any reforms on the American system were impossible. People talked about the American way of working, he said, as if the directors were not fully alive to the necessity for economy in train-miles and train-loads, but he could assure the shareholders that the Board were in constant correspondence with their friends on the other side of the water, and that information came to hand of every novelty that was introduced. Are they going to get over their difficulties, then, merely with novelties? If Lord Stalbridge intends to treat the problem in so light-hearted a fashion as this, then we have little to hope for. The company will depend for everlasting upon its primitive, conservative methods, and those are not the methods to stem the tide of retrogression that has set in.

A shareholder at the meeting thought it was a monstrous thing, in this country of freedom, that

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they should sit still and see their traffics depleted by local electric lines. This seems a most extraordinary idea of freedom. No one else is to live but railways, and in the eyes of such men it is an injustice that the convenience of the public should be considered at the expense of the peace of mind of unbusiness-like railway directors and managers and indifferent shareholders. The country must put up with railway monopoly and its sleepy, unprogressive methods, because railway directors and managers have not the energy and inclination to go with the times. But the country will go with the times, and its welfare and convenience will be consulted, and it will take care to enjoy the benefits of science and invention, irrespective of railway directors and their peace of mind, and irrespective, too, of shareholders who labour under the delusion that freedom is the stifling of beneficial competition.

Another shareholder saw hope of salvation only in a delegation to Parliament and the Railway Commissioners to insist upon their rates being raised. The suggestion was an idle one, inasmuch as it would certainly not be listened to seriously. The country is in no mood to favour an increase in railway rates, and it is not likely to yield in its attitude so long as it sees that railway directors themselves are averse to the trying of other remedies. Let those remedies be tried first, and then, if they fail, the country may be ready to concede a point. But it cannot be expected to make all the sacrifice, merely to save a little mental labour on the part of railway directors.

CHAPTER XIII

THE GREAT WESTERN RAILWAY

THE Great Western is distinguished by having a greater mileage than any other company. Its debenture capital increased from £16,413,284 in 1881, to £20,609,716 in 1900, its preferential capital from £33,934,259 to £37,304,809, and its ordinary capital from £16,734,184 to £27,902,140 in the same period, whilst its gross receipts rose from £7,008,592 to £11,114,117. The capital of the company is made up as follows: £19,997,066 debenture stock, of which £2,963,945 bears 5 per cent. interest; £4,537,717 bears $4\frac{1}{2}$ per cent.; £1,009,494 bears $4\frac{1}{4}$ per cent.; £11,342,354 4 per cent.; £755,056 $2\frac{1}{2}$ per cent.; £7,609,630 5 per cent. rent-charge stock; £17,846,464 5 per cent. consolidated guaranteed stock, non-contingent; £11,826,683 5 per cent. consolidated preference stock, contingent. It may be pointed out that the ordinary capital of the Great Western is of a much smaller amount than that of the other leading companies, consequently an improvement in the net revenue has a correspondingly greater effect

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upon the dividends, inasmuch as it would take a much less amount to pay 1 per cent. than in the case of the other 'heavy' lines. Like all the other companies, it suffered greatly during the past half-year, with the result that it could pay a dividend of only $2\frac{1}{4}$ per cent., in comparison with $3\frac{1}{2}$ for the corresponding six months of last year.

Like that of the London and North-Western and others, the traffic returns up to the present do not lead us to hope for any great improvement during the current six months. Being a large passenger carrier, there is shown an increase in the passenger receipts up to November 17 of £56,000; whilst there is an increase of £22,000 in goods traffic, thus showing a net improvement of £78,000, which shows up favourably in comparison with the big decline in the London and North-Western's receipts.

The following table (A) gives the highest and lowest prices and dividends of the ordinary stocks since 1885, together with the balances carried forward each half-year.

Here we have undoubted evidence of retrogression, and a great change for the better will have to take place if we are to see a return to the big dividends paid in the early years of the nineties, and, unfortunately, this is anything but assured.

The report of the directors for the half-year ended June last stated that the receipts as per revenue account were as shown in Table B.

The balance admitted of a dividend on the ordinary stock at the rate of $2\frac{1}{4}$ per cent. per annum, leaving a sum of

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TABLE A.

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
			£		£	
1885 . .	140 $\frac{1}{2}$	124 $\frac{7}{8}$	4 $\frac{1}{2}$	8,486	6 $\frac{1}{2}$	40,589
1886 . .	139 $\frac{7}{8}$	126 $\frac{1}{2}$	4	7,449	6 $\frac{1}{2}$	42,592
1887 . .	140 $\frac{1}{2}$	132 $\frac{7}{8}$	4 $\frac{1}{4}$	11,146	6 $\frac{3}{4}$	40,000
1888 . .	152 $\frac{1}{8}$	138 $\frac{5}{8}$	4 $\frac{1}{2}$	11,200	7 $\frac{1}{4}$	50,047
1889 . .	171 $\frac{7}{8}$	151	5 $\frac{1}{2}$	18,219	8	59,055
1890 . .	170 $\frac{7}{8}$	159 $\frac{3}{8}$	5 $\frac{1}{4}$	16,965	7 $\frac{3}{4}$	61,076
1891 . .	166	152 $\frac{3}{8}$	5	19,047	7 $\frac{1}{2}$	58,587
1892 . .	168 $\frac{5}{8}$	156 $\frac{3}{8}$	4 $\frac{3}{4}$	17,748	7	40,330
1893 . .	168 $\frac{3}{8}$	150 $\frac{7}{8}$	4	7,274	5 $\frac{1}{2}$	50,059
1894 . .	169	150 $\frac{3}{4}$	4 $\frac{1}{2}$	23,693	6	42,156
1895 . .	165 $\frac{3}{8}$	155 $\frac{1}{4}$	3 $\frac{1}{4}$	25,609	7	42,458
1896 . .	187 $\frac{1}{4}$	159 $\frac{1}{4}$	4 $\frac{3}{4}$	24,566	7 $\frac{1}{4}$	42,884
1897 . .	179 $\frac{1}{4}$	166	4 $\frac{3}{4}$	16,273	7 $\frac{1}{4}$	31,350
1898 . .	179 $\frac{1}{4}$	160 $\frac{1}{2}$	2 $\frac{1}{4}$	24,440	5 $\frac{1}{2}$	43,141
1899 . .	175 $\frac{1}{4}$	160 $\frac{1}{2}$	4	22,935	7	45,190
1900 . .	168 $\frac{1}{4}$	139	3 $\frac{1}{2}$	33,040	5 $\frac{3}{4}$	45,142
1901 . .	149 $\frac{1}{8}$	131	2 $\frac{1}{4}$	19,730	...	...

£19,730 to be carried forward, as compared with a dividend at the rate of 3 $\frac{1}{2}$ per cent. per annum in the corresponding half-year, with a sum of £33,040 carried forward. The result of the half-year's working, as compared with the corresponding period of 1900, showed a considerable increase in the receipts from passenger traffic, but a diminution in mineral traffic. The working expenses largely increased, in consequence mainly of the high price paid for coal under the contracts which expired at the end of the half-year. The contracts recently made, however, show a large reduction in price. Of the more important works which the company have in hand, the South Wales and Bristol Direct Railway, the Acton and Northolt Line, the Truro and Newquay Railway, the Roath Branch, and the Bristol Harbour Lines have been well advanced during the half-year. The Wroughton Vale Light Railway, the East

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TABLE B.

	1901.		1900.	
	£	£	£	£
Passengers parcels, mails, etc. ...	2,424,330	...	2,316,586	
Merchandise, live stock, etc. ...	1,459,654	...	1,451,004	
Minerals ...	1,382,616	...	1,434,843	
Rents of property, canals, etc. ...	68,289	...	65,101	
	<u>5,334,889</u>	...	<u>5,267,534</u>	
<i>Expenditure*—</i>				
Maintenance of way	695,740	...	703,372	
Locomotive power and carriage re- pairs ...	1,435,762	...	1,249,063	
Traffic and general charges ...	1,191,749	...	1,155,141	
Government duty, and rates and taxes ...	245,902	...	228,876	
	<u>3,569,153</u>	...	<u>3,336,452</u>	
	1,765,736	...	1,931,082	
Dividends and interest re- ceived ...	23,152	...	20,571	
Balance from last half-year	45,143	...	45,190	
	<u>1,834,031</u>		<u>1,996,843</u>	
Interest and dividends on debenture and rent-charge stocks, rents of leased lines, and other prior charges ...	754,518	...	744,547	
	<u>1,079,513</u>	...	<u>1,252,296</u>	
Dividends on guaranteed and preference stocks ...	741,829	...	741,829	
Balance available for divi- dend on ordinary stock ...	337,684	...	510,467	

* As per revenue account.

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Usk Railway Extension, and the Rhos Lines, near Wrexham, are approaching completion. The widening of various lines in South Wales, referred to in previous reports, is also proceeding, and contracts have been let for the remainder of the doubling of the Banbury and Cheltenham Railway between Cheltenham and Andoversford. The works for adapting the Ely Valley Line for passenger traffic have been completed, and the line was opened for such traffic in May last. Steps are being taken for the acquisition of the land required for the construction of the authorized line between Castle Cary and Langport.

In order to facilitate the working of the traffic, which in many places was seriously congested, owing to the want of proper accommodation, loops and refuge sidings have been provided at various points on the system, and further facilities of this nature are being provided at other places where the exigencies of the traffic demand them. A contract has been let by the Great Western and Great Central Railways' Joint Committee for the construction of the portion of the joint undertaking between Northolt and High Wycombe, and the works have been commenced. Pursuant to notice which has been given to that effect, resolutions were submitted to the proprietors to sanction the creation and issue of the capital authorized by the Great Western Railway Act, 1901, and for the exercise of the borrowing powers and the creation and issue of the debenture stock which the company are empowered to create and issue.

The General Powers Bill of the company has received the royal assent in substantially the same form as when submitted to the proprietors in February last. Under the provisions of this Bill, the undertakings of the Devon and Somerset Railway Company and the Bridport Railway Company became amalgamated with this company as from July 1, 1901, and the powers of the Windsor and Ascot Railway Company are transferred to this company. The Board of Trade has confirmed the order for the extension of time for the purchase of lands for and for the construction of the Pewsey and Salisbury Light Railway and the Devizes Loop connected therewith. Various other Bills, more or less affecting the interests of the company, which it was therefore found necessary to oppose,

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have been rejected, withdrawn, or amended in their progress through Parliament. A vote of the proprietors was therefore asked for a capital expenditure of £703,000.

The results set forth in the directors' report were generally expected, but the stock on the market is governed generally by the expected profits it will earn in the future. This company has been very lavish with its capital expenditure in recent years, and there is likely to be little or no decline in the immediate future. It will be seen that the expenses have increased considerably, and overwhelmingly swamp the increase of £67,355 in the gross receipts. The miles worked by the company were 2,780, as against $2,741\frac{3}{4}$ in the June half of last year, and it seems that this additional mileage was responsible for the improvement in the earnings. Of the expenses, the sum of £154,000 was due to the higher price of coal, and under the head of miscellaneous expenses £15,000 was attributable to additional rates and taxes, and £13,000 to extra compensation. The net earnings of the company declined by £165,000, or about $8\frac{1}{2}$ per cent. Taking the results as a whole, therefore, they are deplorable, especially when it is to be understood that the company made exceptional efforts to economize. In the goods train mileage there was a decrease of nearly 538,000 miles, which showed an increase of 2 per cent. in the earnings, whilst in the passenger mileage there was an increase of 102,000 miles, or about 1·9 per cent. The goods train earnings showed a decline of £42,000, but the passenger train earnings an increase of £108,000, or 4·6 per

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cent. If the profits are not to dwindle further there must be greater economy still, and in spite of any savings in the price of coal, there is room for a further decrease in the mileage. Probably the latter is in the way of an experiment, and the success attending it may lead to greater efforts in the future, with beneficial results.

At the meeting of the company the chairman said that the receipts on capital account for the six months amounted to £490,483, whilst the expenditure had been £929,733, or £439,250 in excess of the sum received. Deducting this excess figure from the unexpended capital brought forward, there was left to be carried forward in respect of capital account a balance of £591,672. Dealing with the revenue account, he said that in the passenger traffic the first-class showed a decrease of 22,958 in numbers and an increase of £8,077 in money; the second-class a decrease of 120,379 in numbers and an increase of £22,721 in money; and the third-class a decrease in numbers of 658,858 and an increase in money of £46,843. This decrease in numbers and increase in money, he said, was entirely due to the decline of very short distance passengers, chiefly owing to the competition of the Central London Railway. The earnings from that class of passengers were small, and the figures which he had given showed that there had been an increase in the long distance passengers. The live stock decrease of £2,881 was consequent on the diminution in live stock from Ireland. Minerals showed a decrease of £52,227, which was explained chiefly by the fact that they were comparing against a period when they had a large amount of coal to carry for transport purposes. The total increase in the receipts under the various headings amounted to £67,355. On the expenditure side they had maintenance of way and works showing a decrease of £7,632. Locomotive power exhibited an increase of £178,154, which was almost entirely owing to the enhanced price of coal. Wages under this head were down £6,000, partly in consequence of reduced mileage, and partly owing to the better

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running of trains, which had been rendered possible by the expenditure made with a view to giving increased facilities for getting their trains over the line. In traffic expenses the increase had been £24,484, £10,000 of which was due to advances in salaries. Compensation for personal injuries showed an increase of £10,551, this being due to the unfortunate accident at Slough. Up to the present time the payments made in connection with that deplorable accident had been £74,200. Rates and taxes had gone up £15,000, and there was increased expenditure under other heads, which made a total of £232,701. With regard to the train mileage, he stated that the passenger service showed an increase of 102,584 miles, and goods and mineral trains a decrease of 537,770 miles, making a net decrease of 435,186 miles. The receipts per train mile for passengers amounted to 4s. 3·80d., against 4s. 1·96d., and for goods trains 5s. 1·48d., against 4s. 11·54d. These figures indicated that the passenger mile trainage which had been put on had been run with great care. The expenses per train mile had amounted to 3s. 2·25d., against 2s. 11·079d., an increase of 3·172d. Of course, on the face of it, that was unsatisfactory as compared with the receipts per train mile; but if they analyzed the figures, they would find that of the 3·172d. more than 2d. was due to the greater cost of coal. After taking into account the dividends and interest received, and the balance from the previous half-year, and also deducting interest on debenture and preference stocks, there was a balance available for dividend on the ordinary stock of £337,684, being £172,783 less than in the corresponding half-year of 1900. This enabled the Board to declare a dividend at the rate of $2\frac{1}{4}$ per cent. per annum, leaving £19,730 to be carried forward, compared with $3\frac{1}{2}$ per cent., with £33,040 carried forward last year. There could be no question that the working of the half-year had been unsatisfactory, and if they looked into the accounts they would see exactly what had happened. It took £176,600 to pay $1\frac{1}{4}$ per cent. on the ordinary stock, and that was the amount of the reductions of the dividend on this occasion. The increased cost of coal in the half-year in all departments amounted to £184,000, which was more than was required to pay the $1\frac{1}{4}$ per cent., so that it was apparent that, if the cost

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of the coal had been the same as in the preceding half, the dividend would have been maintained. The coal contracts which had been made for the current six months showed a considerable reduction, about two-thirds down. The increased cost per ton during the past half-year was 7s. 6d., and the new contracts were down by nearly 5s. per ton, which meant an important difference. A stockholder had addressed to him a number of questions, one of which was whether the company's capital expenditure would not lead to a further falling-off in the dividend. That, of course, depended on the nature of the expenditure. There was capital outlay which was necessary, and that, he did not think, would reduce the dividend, but rather increase it. Of course, this problem of capital expenditure required the greatest possible care. The Board had to safeguard the interests of the company from competition, and they had also obligations to the public. He mentioned, as a matter of interest, that since 1847 the Great Western had absorbed by purchase or amalgamation 100 subsidiary companies. In 1847 they had 118 miles, and now they had 2,645 miles of railway.

A shareholder at the meeting made the sensible suggestion that reforms should be instituted by using larger trucks, and so dealing with larger quantities at a time, and remarked, as any man of observation would do, that there was a growing feeling among railway shareholders that unless something were done in that direction the dividends would be a diminishing quantity. Judging from the applause that greeted his remarks, they elicited not a little sympathy from those present.

Mr. Lee Thomas, another shareholder, suggested that the branch lines should be worked more efficiently. Passengers had often a great deal of time to wait on these lines before they could get a train to their destinations, and he thought it would

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be an advantage, as it undoubtedly would, to this and other companies if the branch line services were fitted in better with the main line trains.

Another shareholder advised the suicidal policy of raising rates, especially for carrying coal.

In reply to the discussion, the chairman admitted that the question of larger trucks was an important one, and had been carefully studied by the Board for some time, but evidently the result of the deliberations is that no reform of the kind is possible. He made use of the same arguments as Lord Stalbridge—namely, that their traffic was not the same kind as in America, where large trucks are used and found to be economical. Experiments had shown that for the general traffic which the company has to handle 10-ton trucks are more convenient and economical than 30-ton trucks would be. They had to carry so many small lots to so many different places that 30-ton trucks were not convenient for doing this. As to the branch lines, care had to be taken in working them, or they would be a heavy burden on the whole undertaking. Competition by long distance trams had not been lost sight of by the Board, and he was afraid that in some cases they were bound to be competitive with railways. As to the rumour of the acquisition by the Great Western of the Metropolitan line, he said that nothing had transpired to show that they were likely to take over that undertaking, which was about the most consoling thing he said at the meeting.

CHAPTER XIV

THE MIDLAND RAILWAY

THE Midland is another of the 'heavy' lines of the country, and as regards the total amount of its capital it ranks next to the London and North-Western, though a vast proportion of it is 'water.' The line is about 1,370 miles in length, and it partly owns 642 miles more. The old 4 per cent. debenture stock was converted into 3 per cent. stock in January, 1890, and the old consolidated ordinary stock was duplicated into preferred converted and deferred converted in October, 1897, whilst the conversion of the 3 per cent. debenture stock into $2\frac{1}{2}$ per cent., and the consolidation of rent-charge, guaranteed and preferential stocks into one security at a lower rate of interest was carried out in April, 1898, which meant over £70,000,000 nominal addition to the capital of the company. The capital now stands as under : £36,271,338 debenture stock, bearing $2\frac{1}{2}$ per cent. interest ; £47,967,949 consolidated $2\frac{1}{2}$ per cent. perpetual preference stock and £11 shares, issued as from April 1, 1898 ; £16,752,917 consolidated $2\frac{1}{2}$ per

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cent. perpetual guaranteed preferential stock, issued as from April 1, 1898, in substitution of pre-existing rent-charge, preferential and guaranteed stocks; £37,359,977 deferred converted ordinary stock, taking all net revenue after payment of the dividend on the preferred converted stock; and £37,274,854 preferred converted ordinary stock, ranking for $2\frac{1}{2}$ per cent. dividends. A deficiency in the dividend in any one half-year is to be made good in the following half-year. The conversion of the ordinary stock was carried out by duplication, £100 preferred and £100 deferred being issued for every £100 old ordinary.

The debenture capital increased from £15,783,190 in 1881 to £36,004,757 at the end of 1900, the preferential capital from £29,859,330 to £63,679,510, and the ordinary from £23,366,388 to £74,280,837, whilst the gross receipts rose from £6,917,466 to £11,146,637 during the same period. The following table (I.) gives the highest and lowest prices of the ordinary shares, and dividends paid for each half-year, from 1885 to the end of June, 1897, the conversion taking place in the following October, together with the balances carried forward.

Since then the preferred ordinary dividend has been regularly paid each half-year, whilst the record of the dividends on the deferred ordinary have been as shown in Table II.

The dividend paid on the deferred for the first half of 1901 was only $1\frac{1}{2}$ per cent., being a great falling-off during the past eighteen months. The prospects for the current six months look gloomy.

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TABLE I.

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
			£		£	
1885 . .	134 $\frac{3}{4}$	125 $\frac{1}{2}$	4 $\frac{3}{4}$	13,714	5 $\frac{1}{2}$	50,328
1886 . .	131 $\frac{1}{2}$	122 $\frac{3}{4}$	4	14,008	5 $\frac{1}{4}$	50,841
1887 . .	129 $\frac{3}{8}$	121 $\frac{1}{8}$	4 $\frac{1}{4}$	15,197	5 $\frac{1}{4}$	52,092
1888 . .	136 $\frac{1}{2}$	124 $\frac{3}{8}$	4 $\frac{1}{2}$	16,000	6	52,000
1889 . .	150 $\frac{1}{2}$	134 $\frac{3}{8}$	5 $\frac{1}{4}$	17,732	6 $\frac{3}{4}$	69,705
1890 . .	150 $\frac{1}{2}$	140 $\frac{1}{8}$	5 $\frac{1}{2}$	24,730	7	70,057
1891 . .	163 $\frac{3}{8}$	147 $\frac{3}{8}$	5 $\frac{3}{4}$	17,732	7	59,567
1892 . .	164 $\frac{1}{8}$	152 $\frac{7}{8}$	5 $\frac{1}{4}$	14,830	6 $\frac{3}{4}$	60,215
1893 . .	162 $\frac{7}{8}$	146 $\frac{7}{8}$	4 $\frac{3}{4}$	11,073	3	34,128
1894 . .	162 $\frac{3}{8}$	145 $\frac{3}{4}$	4 $\frac{3}{4}$	12,119	5 $\frac{3}{4}$	35,047
1895 . .	159	150 $\frac{1}{4}$	4	13,483	6 $\frac{1}{4}$	38,784
1896 . .	174 $\frac{1}{8}$	154	5	18,038	7	40,036
1897 . .	186	164 $\frac{3}{8}$	5 $\frac{1}{4}$	18,336	...	...

TABLE II.

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
			£		£	
1897 . .	98 $\frac{3}{8}$	93	...	...	4	38,143
1898 . .	95 $\frac{7}{8}$	83 $\frac{3}{8}$	2 $\frac{3}{4}$	18,395	4	39,158
1899 . .	94 $\frac{1}{4}$	85 $\frac{1}{2}$	3 $\frac{1}{4}$	20,993	3 $\frac{1}{2}$	39,103
1900 . .	89	71	2 $\frac{3}{4}$	21,770	2 $\frac{3}{4}$	41,357
1901 . .	76 $\frac{3}{4}$	60	1 $\frac{1}{2}$	11,046	...	...

Up to November 17, whilst there has been an increase of £61,000,000 in the passenger traffic, there is a decrease of £101,000,000 in the goods traffic, thus making a net decrease of £40,000,000.

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The Midland Railway has always been very lavish with its capital expenditure, and the company has suffered in consequence. There is thus much need of thrift in this direction, or else bankruptcy will overtake this railway sooner than it overtakes the others. The report of the directors for the past half-year stated that the traffic showed an increase from coaching, as compared with the corresponding half-year, of £76,478, a decrease from merchandise of £45,493, an increase from cattle of £1,222, and a decrease from minerals of £128,932, showing a total decrease of £96,725.

	1901.		+ Increase or - Decrease.
	£		£
The gross receipts from traffic	£		
amount to	5,269,857	...	- 96,725
Miscellaneous receipts	175,050	...	- 2,158
	<hr/>		<hr/>
Total revenue receipts for half-year	5,444,907	...	- 98,883
Less working expenses, equal to 65·18 per cent. of the gross receipts from traffic	3,434,710	...	+ 95,569
	<hr/>		<hr/>
	2,010,197	...	- 194,452
<i>From which deduct :</i>			
Interest on debentures and debenture stock £453,687			
Rent of leased lines, etc. 31,676			
	<hr/>		
	485,363	...	+ 13,277
	<hr/>		<hr/>
	1,524,834	...	- 207,729
Add balance brought forward ...	41,358	...	+ 2,255
	<hr/>		<hr/>
Leaving available for dividend ...	1,566,192	...	- 205,474

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From this balance the directors recommended the declaration of the following dividends, payable on and after the 17th day of August instant: £2 on each £100 of the ordinary stock. This would give £1 5s. on each £100 preferred converted ordinary stock, and 15s. on each £100 deferred converted ordinary stock; £1 5s. on each £100 $2\frac{1}{2}$ per cent. consolidated perpetual guaranteed preferential stock, and £1 5s. on each £100 $2\frac{1}{2}$ per cent. consolidated perpetual preference stock, and such of the £11 shares as have not yet been consolidated, leaving a balance of £11,046 to be carried forward. The mileage of trains for the half-year has been—of passenger trains, 9,310,294 miles; of goods and mineral trains, 13,692,156 miles, the total being 23,002,450 miles, showing a decrease, when compared with the corresponding period of last year, of 485,097 miles. Mr. McDonald, the engineer-in-chief, reports: New Mills and Heaton Mersey Railway.—The works in connection with this line are in a forward state. The tunnel at Disley is completed, with the exception of about 250 yards. The stations are in hand. The line will probably be available for goods traffic by the end of the current half-year. Trent and Toton Lines: These lines were opened for traffic on June 2 last. Trent and Clay Cross Widening: 11 miles 6 chains (single line) of this widening are now being used for traffic, and it is hoped before the winter that a further length will be completed. Masboro' and Royston Widening: Very good progress has been made with this widening during the past half-year, and further lengths will be brought into use before the winter. Dore and Sheffield Widening: The greater portion of this widening will be ready for traffic during the present year. Messrs. McDonald and Abernethy, the engineers for the Heysham Harbour, report as follows: Good progress has been made with the works during the past half-year. A considerable portion of the harbour has been excavated to its full depth. The north quay has been completed for the greater part of its length and the south quay is also under construction, together with the breakwater heads.

The directors stated that the general trade of the country had not been maintained during the past half-year, and a considerable diminution in the gross receipts from goods and

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mineral traffic had been experienced, while working expenses had continued to increase. The price of locomotive coal had had now fallen from its high level of a year ago, but other conditions remained unfavourable for railway prosperity. In conjunction with the Glasgow and South-Western and North British Companies an improved service of trains to Scotland was put in operation from July 1. This service was carefully designed to accommodate the increasing traffic between the large towns on the Midland system and the North. The Bill promoted by the company in the present session of Parliament has received the royal assent, as also has the Bill promoted by the Tottenham and Hampstead Junction Railway Company.

It will be seen from this report that the directors, whilst expressing sorrow for the deplorable results of the past half-year, are by no means sanguine of the prospects of the current six months. In this respect the directors are to be commended for their outspokenness, which up to the present has been more than justified, and therefore shareholders must brace themselves up for very poor results again. Although the company succeeded in greatly reducing its train mileage during the half-year, still it was not commensurate with the decline in the receipts from the goods and mineral traffic, which amounted to 4·5 per cent., as compared with 3·7 per cent. of shrinkage in the earnings. In the passenger earnings, however, there was an increase of 4·8 per cent., whilst the mileage increased 0·7 per cent., showing the receipts per train mile 4·0 per cent. The increase in the coal bill came to £49,000, and the wages to £14,000, whilst materials cost an additional £11,000 and other expenses £22,000. There was an increase in the capital charges of no

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less than £49,000, bringing the loss in the net profit to over £244,000, or 25·6 per cent., the sum available for dividend on the deferred ordinary being reduced by 49·6 per cent.

In his speech at the half yearly meeting of the company the chairman commented upon the falling-off in trade, and the consequent diminution in the company's receipts. They had been passing through a long period of prosperity, he said, but he thought railway shareholders had not received their due benefit from that prosperity, which was evidently the opinion of the shareholders, judging from the applause that greeted his statement. And instead of trying to cheer them up in accordance with the practice of other railway chairmen, he said that the outlook at present was certainly not bright. He held in his hand a report from the goods manager, which said :

‘Large decreases are reported in the carriage of iron and iron-work, and also building materials, such as timber, deal, cement, and plaster, and in minerals, such as coal and pig-iron. That was in addition to the falling off in stone, granite, and bricks, to the extent of a quarter of a million tons. On that particular traffic they could not make any great reduction in expenses, except in the matter of train mileage. Whenever trade began to get bad, railway companies were generally hit hardest at the commencement.

‘They had a serious falling-off in traffic,’ he went on to say, ‘and at the same time coal and materials maintained their high price. For instance, they were now paying 12s. 4 $\frac{3}{4}$ d. per ton for coal, or 1s. 7 $\frac{1}{2}$ d. more than in the corresponding half-year in 1900. It was true that in the second half of last year they were buying coal at a more reasonable price, and they had been able to take a large stock of coal (they had about 125,000 tons at present in hand) at 10s. per ton. As

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they were now buying at more reasonable prices still, they would get considerable relief in the current half-year, which remark would apply also to rails and other materials. The carting traffic had not fallen off considerably, and he was pleased to say that the passenger receipts were very satisfactory. They may not have noticed it, but last week established a record in the receipts from the passenger service. They amounted to no less than £125,773. It brought to his mind a remark made to him a good many years ago by an old and respected director of the Midland, Sir Isaac Morley, who said : "You are a younger man than I am, but you will never see the Midland receipts £80,000 a week." Last week they were £258,000. As time went on they scarcely noticed these increasing figures.'

He then went on to give explanations of the so-called mad racing to Scotland, and those explanations we must take for what they are worth. He said that the directors did not like altering their trains continually. Persons got accustomed to travelling by certain trains, and they felt annoyed when the times were altered. But it might happen that the time-table had been in existence too long, and that they were not getting out of the train mileage the proper proportion of advantage to themselves and their customers. They began to fear that that might be the case, and they had complaints from the Midland counties of people who could not catch the early trains to Scotland, and, in fact, it was urged that there was a general want of communication between the Midlands and the North-West and North of Scotland, as well as Aberdeen and Dundee. Some of their directors went to work, and with the very able assistance of their officers, they managed, after several weeks of labour, to produce an entirely new time-table for the adoption of the Board, the object being, with as little acceleration of trains as possible, to make an improvement to the train service, especially in the direction indicated. He thought they had been very successful ; he did not mean to say that the time-table was perfect, but it was certainly a great improvement. Mr. Mathieson, their general manager, had already met the representatives of one large town, and had explained to them the difficulties which existed, and the desire of the Midland to overcome them, much better than if they had been involved in

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a lot of correspondence. There had been a good deal of sensational writing in the newspapers—paragraphs, letters, and leading articles, which nearly all found their way to him from some source or another—as to the excessive speed at which the Midland were running to Scotland, and the enormous addition to train mileage. If they had read all that was in the newspapers it must have frightened the timid shareholders, but he hoped they had refrained from forming an opinion until he had explained to them what had really taken place. Shortly, it amounted to this: from London to Carlisle they were running this year at an average speed of 51·7 miles per hour, as compared with 49·1 miles per hour a year ago. That was an increase of 2·6 miles per hour, and, considering their splendid road and magnificent rolling-stock, he did not see how that speed could be called excessive. There was no racing going on, and nothing in the nature of racing, as far as the Midland were concerned, and he believed he could say the same for their competitors. The addition to the mileage by the new time-table was about 3,000 miles per week. Supposing they kept their Highland trains on for six months, and probably after all it would only be for three months, they would run 78,000 miles more than in the corresponding half of last year, and considering that their total mileage during the same period was 8,568,000, it would have little effect upon the dividend on deferred stock.

They would, no doubt, have seen that the Railway Commissioners had decided that the percentage which they allowed to Rickett, Smith and Co. on their coal-bill constituted undue preference. The agreement which the Midland made with them was made in good faith, and they considered that the enormous traffic of coal which Ricketts, Smith put on the Midland line, besides other services, entitled them to some discount on their very large bill. The court, however, had decided otherwise, but, on the advice of their solicitors, he was not prepared to say that that decision would be accepted. They would also perhaps have noticed a statement made by Lord Claude Hamilton, Chairman of the Great Eastern Railway, on the subject of excess luggage. He knew Lord Claude very well; they were at school together, and very stupid boys they both were. He remembered once saying to Lord

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Claude that, considering how stupid they were as boys, he wondered, in view of the positions which they both held now, what had become of the really clever boys. Well, Lord Claude had said that the companies agreed some time ago to get more revenue, in consequence of the high prices in coal and material, and they had decided to charge for excess luggage. Lord Claude, however, grumbled, because, as he said, the Midland had broken away from that agreement, forcing the other companies to do likewise. He (the chairman) would not have minded if Lord Claude had told the whole story. It was perfectly true that the Midland agreed to exact payment for extra luggage, but it was discovered that on the Leicester and Bedford line, by their Acts, they were obliged to carry 100 lb. of luggage for third-class passengers and 150 lb. for first-class passengers, instead of 60 lb. and 120 lb. on the general portions of the system. That formed part of their main line from St. Pancras to the North, and therefore the arrangement became to them unworkable. They therefore instructed their general manager to write to the other companies and say that in ten days' time they would revert to the old order of things, at the same time giving their reasons. In the meantime he met Lord Claude Hamilton, who said, in effect: 'Do you really mean what you say?' He (the chairman) replied: 'Of course; we are acting outside our powers, and we must put ourselves right as soon as possible.' As a matter of fact, they only gave the other companies ten days' notice—a matter of courtesy. Off went Lord Claude to Liverpool Street, and there appeared in the papers next day paragraphs headed 'Large Concessions by the Great Eastern,' and the like. Yet he said to his shareholders that it would not have happened but for the wicked Midland. That was hunting with the hounds and running with the hare. The chairman went on to give a number of statistics dealing with the past half-year's workings. Summarized, they showed the total receipts from all sources to have been £96,725 less than in the previous half-year, and the working expenses more by £95,568. The dividend on new capital amounted to £52,027, which might at first sight seem a large amount, but in reality it would tend to benefit the shareholders generally. The receipts from the carriage of goods and merchandise showed a falling-off of

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about 10 per cent. The earnings per train mile were 2s. 10½d., or 1¼d. more than last year. He was sorry to add that the deferred dividend was less by 1¼ per cent.

In reply to the discussion, in which some more or less sensible suggestions were made, especially the one that the directors should get out of their old-fashioned grooves and adopt new ideas, the chairman gave no hope that they could economize in their traffic, because they could not make any decrease in the actual running of trains. As to the complaint that railway companies had got into certain grooves, the chairman said that the Midland Company did not refuse to take hints, and in proof of this they had sent two gentlemen to America to study the methods there, more particularly in the locomotive department of railway work, and especially with regard to the use of electricity and hydraulic power. Then they had recently appointed a gentleman from Australia as general manager of the company, and very likely he would be able to give them some useful hints. So we shall evidently see what we shall see.

CHAPTER XV

THE NORTH-EASTERN RAILWAY

THIS is the last of the four 'heavy' lines, and from the point of view of prospects and investment it is certainly one of the most promising, even though that might not be saying much. At the present moment it is paying the highest dividend of any of the leading railways. Last year it beat the North-Western by $\frac{1}{8}$ per cent. As regards its traffics, it is second only to the Great Western at present, its decreases being on a moderate scale. Some time ago it issued $2\frac{1}{4}$ millions of new stock, which naturally depressed the price of the ordinary shares, but it is expected that this money will keep it in funds for about three years. The North-Eastern is a provincial railway, but it has direct connection with London through the Great Northern Railway, there being a considerable interchange of traffic between them. The two systems combined form the East Coast route to Scotland. The railway is very largely dependent upon the iron and coal trades of Northumberland and Durham, and it has connection with a large number of ports, which bring it a profitable business.

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This company undoubtedly set an example to other companies in the past by reason of its policy of debiting to revenue a great deal of its expenditure upon maintenance of permanent way, renewals of rolling-stock, etc., and the result is seen in the high dividends it has paid for a great many years. Its capital is made up as follows: £22,690,493 debenture stock, bearing 3 per cent. interest; £13,321,227 preference stock, ranking for 4 per cent. interest out of the profits of each year, and therefore contingent; £8,466,903 guaranteed stock, ranking for 4 per cent. interest, non-contingent; and £29,077,448 North Eastern Consols ordinary stock, which is inclusive of £1,540,000, issued in November, 1899, at 50 per cent. premium, and which is to rank equally with the old stock for dividend, though dividends accruing were not to be paid until September 30, 1901.

The opposite table (A) gives the record of dividends paid, balances carried forward, and highest and lowest prices of each half-year from 1885.

This is a record of which the railway has much reason to be proud, and though it has suffered, like the others, from the depressing conditions of the past year, and especially the past six months, it has not suffered to so great an extent. Its coal-bill was not anything like so heavy as the bills of the other companies, and showed only the small advance of £4,300. But the expenditure still showed a big increase, the poor results being due to a decline in the mineral traffic receipts. This company, however, unfortunately, seems to be

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TABLE A.

Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.
			£	£
1885 . .	160	142 $\frac{3}{4}$	5 $\frac{3}{4}$ 21,778	6 $\frac{1}{4}$ 24,657
1886 . .	159 $\frac{3}{4}$	142 $\frac{1}{8}$	4 $\frac{1}{2}$ 15,447	6 $\frac{1}{4}$ 26,345
1887 . .	158 $\frac{5}{8}$	149 $\frac{1}{4}$	4 $\frac{3}{4}$ 17,697	6 $\frac{1}{2}$ 36,489
1888 . .	163 $\frac{1}{2}$	149 $\frac{3}{4}$	5 $\frac{1}{4}$ 36,804	7 $\frac{1}{4}$ 33,343
1889 . .	177 $\frac{3}{4}$	162 $\frac{1}{4}$	6 $\frac{1}{4}$ 30,929	8 $\frac{1}{4}$ 41,007
1890 . .	175 $\frac{1}{2}$	162	6 $\frac{3}{4}$ 33,013	7 $\frac{3}{4}$ 36,057
1891 . .	168 $\frac{1}{2}$	153 $\frac{1}{2}$	6 16,860	7 20,646
1892 . .	163 $\frac{1}{4}$	151 $\frac{1}{8}$	3 8,467	6 $\frac{3}{4}$ 10,797
1893 . .	161 $\frac{1}{4}$	151 $\frac{1}{2}$	4 $\frac{3}{4}$ 11,797	7 13,666
1894 . .	166 $\frac{1}{8}$	154 $\frac{1}{4}$	5 10,194	6 $\frac{3}{4}$ 29,968
1895 . .	169 $\frac{5}{8}$	158 $\frac{3}{4}$	4 $\frac{1}{2}$ 12,120	6 $\frac{3}{4}$ 28,855
1896 . .	184 $\frac{7}{8}$	162 $\frac{1}{4}$	5 $\frac{1}{2}$ 34,157	7 $\frac{1}{4}$ 31,602
1897 . .	182 $\frac{3}{8}$	168 $\frac{5}{8}$	5 $\frac{3}{4}$ 22,374	7 32,125
1898 . .	182 $\frac{3}{8}$	172 $\frac{3}{4}$	5 $\frac{3}{4}$ 31,649	7 $\frac{1}{4}$ 43,395
1899 . .	185	167 $\frac{3}{4}$	6 41,196	7 $\frac{1}{4}$ 52,754
1900 . .	177	159	5 $\frac{3}{4}$ 34,971	7 45,598
1901 . .	171 $\frac{1}{2}$	149 $\frac{1}{2}$	4 $\frac{1}{2}$ 36,914	... ..

following the example of others in regard to capital expenditure, which was more lavish than has been the case in past years. An additional £686,000 of the consolidated stock took rank for dividend during the half-year, which helped to make the dividend smaller. A sum of £596,000 was spent on capital account, of which only £136,000 was on new lines, whilst for the current six months the estimate is £373,000.

For the current six months, up to November 17, there is an increase of £50,000 in the passenger

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receipts, but a decrease of £97,000 in the goods train earnings, making a total decline of £47,000.

The report of the directors stated that on capital account the sum of £530,944 had been received on shares and stock during the half-year, in addition to premiums thereon amounting to £189,376. The expenditure on capital account had been as follows, namely : On lines and works open for traffic, £272,236 ; on new lines, etc., £136,164 ; on additional rolling stock, £127,786 ; and on subscriptions to other companies, £60,000, making a total addition to capital expenditure of £596,187.

The opposite statement shows the receipts and expenditure on revenue account and the comparison with the corresponding period of last year (Table B).

After providing for interests, rents, and other preferential charges, there remained a balance of £688,851 available for dividend on North-Eastern Consols, and the directors recommended that a dividend at the rate of $4\frac{1}{2}$ per cent. per annum be declared thereon, which would absorb £652,937, and leave a balance of £35,914 to be carried to the next half-year's account. The directors regretted that railway operations in the country continued to show unfavourable results for the proprietors. In the past half-year the great advance in the price of nearly all materials had largely contributed to the increase of £97,857 in this company's expenditure, which, combined with a decrease of £40,964 in the gross revenue, resulted in a diminution of net revenue to the extent of £138,821. It was satisfactory to note that the passenger traffic continued to expand, and the growth of this branch of the company's business had formed a useful set-off against the decrease in the receipts from goods and mineral traffic.

The scheme for making a railway to connect the coal-field lying between Rotherham and Bawtry with the company's railways serving the ports of Hull and Goole, which was embodied in the company's Bill of the current session of Parliament, and described in the last half-yearly report, had for the present been withdrawn. Before the Bill reached its committee stage the directors ascertained that other companies

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TABLE B.

REVENUE.

			Half-Year ending June 30, 1901. £		+ Increase or - Decrease. £
Passenger traffic	1,095,156	...	+ 70,111
Parcels, mails, etc.	...	...	220,972	...	+ 6,134
Goods traffic	...	...	1,394,221	...	- 29,380
Cattle traffic	...	...	48,507	..	- 3,423
Mineral traffic	...	...	1,422,955	...	- 87,030
Miscellaneous receipts	...	...	130,458	...	+ 2,624
			<hr/>		<hr/>
Gross receipts	...	...	4,312,269	..	- 40,964
			<hr/>		<hr/>
Expenditure	...	...	2,850,066	...	+ 97,857
			<hr/>		<hr/>
Net receipts	...	...	1,462,203	...	- 138,821
			<hr/>		<hr/>
Miles open for traffic	...	...	1,656		—

EXPENDITURE.

			Half-Year ending June 30, 1901. £		+ Increase or - Decrease. £
Maintenance of way, works, stations	...	...	400,153	...	+ 15,306
Locomotive power	...	...	898,362	...	+ 15,577
Carriage and waggon repairs	...	...	423,433	...	+ 25,564
Traffic expenses	...	...	822,841	...	+ 21,003
General charges	...	...	80,907	...	+ 3,267
Stationary engines, inclines, etc.	...	...	14,664	...	+ 1,469
Law charges	...	...	5,109	...	+ 92
Parliamentary expenses	...	...	3,500	...	+ 1,500
Compensation	...	...	24,978	...	+ 4,207
Rates and taxes	...	...	168,936	...	+ 8,847
Government duty	7,183	...	+ 1,025
			<hr/>		<hr/>
Total	2,850,066	...	+ 97,857
			<hr/>		<hr/>
Train mileage	15,250,341	...	- 591,179

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were contemplating the construction of new railways in part of the same district, and under those circumstances the directors decided not to proceed with their Bill in the present session, in the hope that, by friendly discussion, a scheme might be formulated which would afford the necessary additional railway facilities under an arrangement with other companies desirous of co-operating therein. The other portions of the Bill were duly passed, and the Bill has received the royal assent.

The directors recorded with deep regret the death during the past half-year of their valued colleague, Mr. John William Pease, who had been a member of the Board since 1883. To fill the vacancy on the Board thus caused, the directors elected Mr. William Armstrong Watson-Armstrong, of Crag-side, Roth-bury, Northumberland, a director.

A good feature during the past half-year has been the decrease in the train mileage, and the evidence afforded that the trains have been more heavily loaded than usual. Had it not been for the saving under this head, the results would have been more lamentable, and it, of course, accounts for the smallness of the coal-bill.

At the meeting of the company the chairman was inclined to be somewhat optimistic. He announced that the full authorized capital was at the present moment £83,875,000, of which £58,000,000 was stock and shares and £25,000,000 loans. £76,614,000 had been sanctioned, the stock and shares being up to the present time, as received, £49,000,000 and the loans £23,000. During the half-year £720,000 had been received—namely, in stocks and shares, £365,000; in debentures, £167,000; and in premiums, £189,000; and they had paid off £1,600 in loans. Of the £1,540,000 of stock created in 1899, the whole had been called up and paid up. The capital expenditure of the half-year had been £596,000. Lines open for traffic accounted for the principal portion of this, and they had increased their working stock by the expenditure of £71,000 on carriages and £55,000 on waggons. They had also bought a good deal of land. Their train mileage had decreased by 591,000 miles, or 3·73 per cent., the great decrease being in the mineral mileage. The passenger income had increased by £76,000 and dock revenues by £3,300. The decreases had been £29,000 on goods, £3,400 on

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live stock, and £87,000 on minerals, the total loss of revenue being £40,963, or very nearly 1 per cent. Of first-class passengers they had had 708,000, an increase of 64,000, or 10 per cent., and of third-class they had had 26,995,000, an increase of 2,384,000 people, or 9·69 per cent. The receipts on the former had increased by £6,000 and on the latter by £57,000. Foreign goods had decreased by 44,000 tons, local goods by 157,000 tons, and through goods had increased by 3,100 tons. The cash decrease on goods was £29,000.

Dealing with the mineral traffic, which he said was very important to the North-Eastern, he pointed out that the shipments at the northern ports had considerably increased, whilst those at Hull had very considerably decreased. It was very difficult to explain why this was so, but, of course, the coal trade had had to face the manipulations of the Chancellor of the Exchequer, which had no doubt disturbed quantities and markets. Under this head there was a decrease of 865,000 tons, and that almost entirely arose in the iron manufacturing districts. They might think all that was a bit flat, but he thought he should show them why it was so, and why he did not take a very gloomy view of their prospects. The experience had been the most serious work of the half-year, and though he was not so glad as if he was declaring a large dividend, he saw no reason to doubt the ship he was in. They had no reason to grumble with their revenue. The great lack of revenue had been the iron trade. From the secretary of the Iron Trades' Association he learned that in 1899 they had eighty-nine furnaces in blast, in 1900 ninety-seven, and in 1901 eighty-two.

Alluding to the smallness of the dividend—4½ per cent.—the chairman said he was not going to prophesy, but probably in four years they might see it at 6 per cent.; but if this prophecy is to be fulfilled a most remarkable change will have to take place, which, to me, does not seem to be highly probable. The railway interest, like all other interests, had its up and downs, but so far as he could see there was such recuperative power in the North-Eastern and its district that he did not despair because once in every four or five years he had to come to them with a smaller dividend than they had all hoped for. Examination of the accounts would show, with

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regard to their gross expenses, that one-fourth was liable to market prices in wages and materials. Prices of various articles had risen, and this accounted for a great deal of the increased expenses of working.

Referring to the position of railways in the United Kingdom, he said that in 1895 their total revenue was £85,900,000; in 1899 it was £101,887,000. The total capital in 1895 was £1,001,000,000; in 1899 it was £1,152,000,000. Between 1889 and 1899 the capital had increased by £275,000,000, which was an average of £27,000,000 annually. Reverting to the increase of working expenses, he gave it as his opinion that it was due to shorter hours of labour and Government interference. There were many fads taken up by Government departments which added very materially to the difficulties of working, and which were not of great benefit to those employed on the lines.

Speaking of the general policy pursued by the directors, he said that if they had done everything in 1900 that they were pressed to do by various bodies the shareholders would have been beggared. At the same time, they did not want to let down the railway, and he trusted that the directors had followed a happy medium, which left the railway in as good a condition as possible to deal with the trade of more prosperous times than the spring of this year.

A resolution was passed at the meeting authorizing the company to borrow and re-borrow on mortgage sums of £166,000, £66,000, and £280,000 respectively, authorized to be borrowed by the North-Eastern Railway Act, 1893, the North-Eastern Railway (Hull Docks) Act, 1893, and the North-Eastern Railway Act, 1894.

CHAPTER XVI

THE GREAT NORTHERN RAILWAY

THE Great Northern is one of the most struggling of our railway companies, and it just manages to keep its head above water. It has to contend against most formidable competition from the North-Western, the Midland, the Great Eastern, and the Great Central; and keen as this competition has been in the past, it is likely to become keener in the future, and thus have anything but favourable results on the Great Northern's finances. In that way adversity is likely to have a more telling effect upon it than upon some of the other larger lines, even as it was so during the past half-year. During the latter period the company enjoyed—if it may be called enjoyment—a little increase in its passenger receipts, but there was a considerable falling-off in the goods and mineral traffic. The company also received the sum of £7,000 more for rents, but against this the proportion of profit it received from joint and worked lines was lower by £11,000.

The capital of the company is complicated, and

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made up as follows: The original ordinary stock is now represented by £10,908,387 preferred converted ordinary stock, £7,272,254 deferred converted ordinary stock, £1,159,275 'A' stock, and £1,159,275 'B' stock. Up to 1861 holders of the original stock had the option of converting each £100 of their stock into £50 of 'A' and £50 of 'B' stock, the latter ranking before the former for 6 per cent. per annum on the amount of dividend applicable to the stock so divided. But from January 1, 1891, the undivided original stock has been converted into preferred and deferred, each £100 of old stock having been exchanged for £75 preferred and £50 deferred, the former ranking first for 4 per cent. dividends, cumulative only on the year. By the Great Northern (Capital) Act, 1890, power was given to the directors to convert the 'A' and 'B' stocks, at the option of the holders, into two classes: the 'A' stock at the rate of £100 of new deferred for every £100 of 'A' stock, and the 'B' stock at the rate of £150 new preferred for every £100 of new stock, but these powers have not yet been exercised. Dividends are still declared on the original capital, as if undivided, and on the amount accruing to the portion now represented by 'A' and 'B' stocks, the latter ranks first for 6 per cent. per annum cumulative dividends as formerly, whilst on the balance of dividend declared the preferred converted ranks first for 4 per cent. contingent on the profits of each year. The remainder of the capital is represented by: £3,435,740 4 per cent. guaranteed

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preference stock, non-contingent ; £12,819,520 4 per cent. consolidated perpetual preference stock, contingent on the profits of each year ; £2,439,980 3 per cent. preference stock, 1896 ; £500,000 3 per cent. preference stock, 1898 ; £575,000 consolidated stock (Leeds and Bradford), ranking for 6 per cent. dividend, with equal participation in any profits above that rate on Great Northern ordinary stock ; and £14,294,212 debenture stock, bearing 3 per cent. interest.

The debenture capital increased from £7,928,056 in 1881 to £14,587,678 at the end of 1900 ; the preference capital from £14,514,587 to £21,468,327 ; and the ordinary capital from £10,065,082 to £20,768,451 ; whilst the gross receipts rose from £3,320,398 to £5,782,303 during the same period.

The following are the highest and lowest prices and the dividends paid on the preferred converted ordinary since its creation in 1891 :

Year.	First Half-Year.	Second Half-Year.	Highest.	Lowest.
1891 . .	4	4	113	106 $\frac{3}{4}$
1892 . .	4	4	114 $\frac{3}{8}$	108
1893 . .	4	4	117 $\frac{1}{2}$	109 $\frac{1}{2}$
1894 . .	4	4	116 $\frac{1}{2}$	109 $\frac{1}{2}$
1895 . .	3 1-3	4 2-3	119 $\frac{1}{4}$	112 $\frac{1}{4}$
1896 . .	4	4	127 $\frac{3}{4}$	117 $\frac{1}{2}$
1897 . .	4	4	129	121 $\frac{1}{2}$
1898 . .	4	4	125 $\frac{1}{2}$	117
1899 . .	4	4	125 $\frac{3}{4}$	117 $\frac{1}{4}$
1900 . .	4	4	120 $\frac{1}{2}$	107
1901 . .	3	...	112	98 $\frac{3}{8}$

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From which it will be seen that the dividend has been regularly paid until the past half-year, which has been one of the most distressing in the company's history.

The following gives the highest and lowest prices, dividends, and balances carried forward each half-year on the ordinary and deferred converted ordinary since 1885:

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1885 . .	114 $\frac{3}{4}$	104 $\frac{1}{2}$	3	3,136	6	2,455
1886 . .	117 $\frac{3}{4}$	108	3	3,440	5 $\frac{3}{4}$	3,872
1887 . .	116 $\frac{1}{4}$	110 $\frac{1}{2}$	3	6,071	5 $\frac{3}{4}$	4,178
1888 . .	120 $\frac{1}{2}$	111	3	8,833	5 $\frac{3}{4}$	8,722
1889 . .	132 $\frac{1}{2}$	117 $\frac{1}{4}$	3 $\frac{1}{2}$	8,518	6 $\frac{1}{4}$	8,231
1890 . .	128 $\frac{1}{4}$	118 $\frac{1}{4}$	3 $\frac{1}{2}$	8,100	6	8,103
1891 . .	86 $\frac{1}{2}$	67 $\frac{1}{2}$	$\frac{1}{2}$	3,447	5	6,890
1892 . .	76 $\frac{1}{2}$	58 $\frac{1}{2}$	nil	3,479	4 $\frac{1}{2}$	7,780
1893 . .	68 $\frac{1}{4}$	49 $\frac{1}{2}$	nil	4,131	nil	2,501
1894 . .	65 $\frac{1}{2}$	48	nil	6,396	2	3,090
1895 . .	57 $\frac{5}{8}$	44 $\frac{7}{8}$	nil	3,161	2 $\frac{1}{2}$	6,250
1896 . .	61 $\frac{1}{8}$	48 $\frac{7}{8}$	nil	3,802	4 $\frac{1}{2}$	8,096
1897 . .	68 $\frac{5}{8}$	56 $\frac{5}{8}$	$\frac{1}{2}$	4,595	4	15,094
1898 . .	61 $\frac{5}{8}$	50 $\frac{3}{4}$	nil	16,113	4 $\frac{1}{2}$	35,271
1899 . .	71 $\frac{7}{8}$	54 $\frac{1}{4}$	nil	47,163	3 $\frac{1}{2}$	26,873
1900 . .	58 $\frac{1}{4}$	42 $\frac{1}{2}$	nil	10,175	nil	36,531
1901 . .	47 $\frac{1}{8}$	38 $\frac{3}{4}$	nil	6,692	...	...

As I have already said, the old ordinary stock was converted into the present preferred and deferred in January, 1891, and since then it will be clearly seen what great fluctuations have taken place in the dividends and prices of the latter stock,

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thus making it highly speculative. The consolidated 'B' stock has received its 6 per cent. dividend regularly since its creation, except in the year 1895, when 5 per cent. was paid in the first half and 7 per cent. in the second, thus giving the full 6 per cent. for the year. The consolidated 'A,' on the other hand, has received only intermittent dividends as follows: 1885, first half, nil, second half, 6 per cent.; 1886, first half, nil, second half, $5\frac{1}{2}$ per cent.; 1887, first half, nil, second half, $5\frac{1}{2}$ per cent.; 1888, first half, nil, second half, $5\frac{1}{2}$ per cent.; 1889, first half, 1 per cent., second half, $6\frac{1}{2}$ per cent.; 1890, first half, 1 per cent., second half, 6 per cent.; 1891, first half, $\frac{1}{2}$ per cent., second half, 5 per cent.; 1892, first half, nil, second half, $4\frac{1}{2}$ per cent.; 1893, first half, nil, second half, nil; 1894, first half, nil, second half, 2 per cent.; 1895, first half, nil, second half, $2\frac{1}{2}$ per cent.; 1896, first half, nil, second half, $4\frac{1}{2}$ per cent.; 1897, first half, $\frac{1}{2}$ per cent., second half, 4 per cent.; 1898, first half, nil, second half, $4\frac{1}{2}$ per cent.; 1899, first half, nil, second half, $3\frac{1}{2}$ per cent.; 1900, first half, nil, second half, nil; 1901, first half, nil—thus showing clearly the troubles the company has been going through of late, whilst any early improvement is not foreshadowed by the returns up to date.

The directors' report for the past half-year stated that the expenditure on capital account had amounted to £438,678. The gross receipts on revenue account were £2,697,641, as compared with £2,769,571 in the corresponding period of 1900, being a decrease of £71,930. The total expenditure amounted to £1,889,049, as compared with £1,851,798 for

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the corresponding half-year of 1900, being an increase of £37,250. The net result is a profit of £808,592, as compared with £917,773 for the corresponding half-year of 1900, being a decrease of £109,181. After providing for all fixed charges, there remained £552,857, which, with £60,000 taken from the general balances account, enabled them to declare a dividend at the rate of £2 5s. per annum, or £1 2s. 6d. for the half-year on every £100 original stock. This gave the following rates of dividend for the half-year on the divided stocks: £1 10s. per cent. on the preferred converted ordinary stock, and £2 5s. per cent. on the 'B' stock, leaving a balance of £6,692 to be carried forward.

There had been a considerable falling-off in the tonnage of coal, ironstone, grain, and potatoes, the loss of revenue on this traffic fully accounting, according to the report, for the decrease in the gross receipts. The cost of coal and materials had much increased, the higher price paid for coal alone being more than the total increase in expenditure for the half-year. The wages bill, likewise, showed an increase. Every effort had been made, by a careful revision of the services, to reduce the cost of working.

The proprietors were asked to sanction the following expenditure for new works and rolling stock required for the accommodation of the traffic, namely: New works—New coal stage and alterations in locomotive yard, King's Cross, £10,000; down line, Finsbury Park to Wood Green, £12,833; plant works extension—sidings, Doncaster, £15,000; sundry station works and sidings, £14,230. Rolling stock—Locomotive engines, £7,223; carriages, road vans, and carts, £37,080; machinery for plant works, Doncaster, £5,993; continuous brakes, £2,000; making altogether £104,359. To meet the expenditure on capital account for new works and stations and for other purposes, it was desirable, said the report, to create the capital authorized by the company's Act of 1899, and a resolution with this object would be submitted to the proprietors at an extraordinary meeting, to be held immediately after the conclusion of the general meeting. The Bill promoted by the company, and the Bills of other companies submitted to the proprietors on February 15 last, had received the royal assent. Satisfactory amendments for the

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protection of the company have been made in the Bills, and Provisional and other Orders promoted in the present session affecting Great Northern interests.

The above is, undoubtedly, a most doleful report. Although the directors say they have made every effort to reduce the cost of working, and though there is a decrease of £8,000 in maintenance of way, over £3,000 in carriage and waggons' repairs and a decrease of 600,000 in the train mileage, still the ratio of expenditure has risen from 66·65 to 69·86 per cent. Owing, therefore, to the great shrinkage in the net earnings, the directors had to take the sum of £60,000 from the general balances in order to make up the dividend on the ordinary stock, and then leaving them a very small balance to carry forward. Therefore, even the small dividend that was paid could not be said to be earned, whilst it should not be overlooked that nothing was written off the permanent way renewals suspense account, in comparison with £20,000 appropriated for that purpose last year. The capital which the shareholders were asked to sanction amounted to a million and a half sterling, with half a million of borrowing powers, which is an expenditure that may have its unfavourable effect on future dividends.

The chairman, at the meeting of the company, said the shareholders were meeting under circumstances which were not the most happy. The loss of net revenue which the accounts revealed was a loss quite beyond the control of the Board. It was, perhaps, worth noting that they did not stand alone in showing a decrease, and, although this fact might not give much comfort, it was, at all events, evidence that the circumstances were not peculiar to the Great Northern Com-

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pany. The receipts on revenue account for the half-year showed a decrease of £71,930, and the expenditure an increase of £37,251, leaving a less balance of profit by £109,181. There was an increase of 224,577 in the number of passengers carried. The coal traffic was down 483,000 tons, and the decreased receipt under this head was about £30,000. A little over 200,000 of the 483,000 tons decrease had occurred in the West Riding district, which, unfortunately, indicated a smaller consumption by manufacturers in that district, and was evidence of the condition of trade prevailing there. The average earning per train mile showed an increase of 1·32d., which was satisfactory as far as it went. Referring to the coal bill being £45,550 higher, the chairman said the average per ton paid during the past half-year had been 14s. 2½d., as against 11s. 4½d. in the corresponding period—an increase of 2s. 9¾d.; but that did not tell the whole of the case, which he would refer to again. Train mileage was reduced by 601,351 miles, in addition to which there was a decrease of 188,726 in shunting and ‘assisting’ miles—a total reduction of engine mileage of 790,000. The percentage of working expenses to receipts was 69·86, against 66·65 in the corresponding period, due to the increased cost of coal, wages, and working the joint lines. The cost per train mile had been 35·06d. against 32·58d. The balance of net revenue was £612,587, which included £60,000 transferred from the reserves. The directors were enabled to recommend the payment of a dividend of £2 5s. per annum on the ordinary stock, giving to the preferred stockholders £1 10s. and to the ‘B’ stockholders £2 5s. per cent. for the six months, and leaving £6,692 to be carried forward.

The increased expenditure on locomotive power had been £37,000, though the increased cost of coal was, as he had said, £45,000. He was pleased to say they had made fresh contracts at 9s. per ton, but he did not view this as being a low price, though he did view the price of 15s. 6d. which had prevailed as being monstrous. In 1896 their average price for coal for the twelve months was 8s. 1½d.; in the year ending June 30 last the average price was 14s. Had the price remained the same as in 1896, the quantity consumed in the year just ended would have cost them less by £280,900. Whether they would get back to the prices of 1896 within

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the next year he could not forecast—probably not. Seeing that the increased expenditure on locomotive power was about £8,000 less than the increased price of coal, he did not think there was much room for criticism in regard to that item. Traffic expenses were £6,292 higher, practically all increase of wages. General charges were down £2,800, and that certainly reflected credit on the officers. As to their taking £60,000 from the reserves, whilst they regretted the necessity for this step, he was bound to say it had been premeditated, because the Board had had before them for the last two years what appeared to them to be a clear forecast, indicating that the pinch would be felt in this year, and balances had been set aside accordingly. They had been hit in two ways: they had arrived at the very highest point of expenditure as regarded coal and materials, and this was coincident with the turn in the traffic, for they had had to suffer a loss of £70,000 under this head, which they could not control. He said frankly he had no qualms of conscience in the matter of taking this amount from the reserves, because they set the money aside fearing they would require it, an anticipation that had proved only too correct.

As to the raising of further capital, the notice of the meeting contained a resolution sanctioning the creation and issue of the capital for which they obtained Parliamentary powers in 1889. On the general question of capital expenditure he would repeat what he had said at the previous meetings—namely, that the Great Northern Board were determined not to undertake fresh expenditure unless it was absolutely necessary for the protection of the interests of the company. During the past two years they had practically undertaken no new large expenditure in connection with new works, but prior to that time they had made themselves responsible for large expenditure. Mentioning work which had been proceeding, the chairman said they had made great extensions in the way of widened lines, and he could show the proprietors a diagram which had been kept for the last three years, indicating the reduction in train delays—mainly goods and coal trains—which had now almost disappeared, owing primarily to widened lines and increased facilities at the shunting yards, by which the large reduction of shunting miles had been accomplished during the

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past half-year. He believed that expenditure, although it pressed very heavily on the company at the present, would prove in the future to have been wise. As to the future, he would like to take a hopeful view if he could, but he could not honestly say that he did take a very hopeful view. They had had a boom, and in all probability they would have the reverse for a time. They had great forces arrayed against them. In the past half-year there had been a decrease of some 300,000 in passengers in Yorkshire districts, and this they believed to be due almost entirely to the increasing competition of electric trams, which were promoted by the municipalities, who had shown a growing tendency to be unreasonable in their demands upon railway companies, whenever those companies went to Parliament in regard to new works. Parliament itself was placing burdens upon the company, particularly in connection with the Prevention of Accidents Act. In this connection, the chairman said that the Board of Trade was engaged in the task of forging fresh fetters for the railway companies, which would involve large expenditure and serious restrictions with regard to the management, unless the draft rules were dealt with in a considerate and reasonable manner by that department. In his humble opinion it was the duty of the Government, in the interests of the traders of the country, at such a time of pressure as the present, to deal as tenderly with these matters as the situation might justify.

One point to which he wished to refer was what had been called the racing to Scotland. This, he thought, had really been a newspaper race, for the newspapers seemed to have been in the position of making a ring, if only the combatants would take one another seriously. One night, while at Leeds, he received a wire stating that the West Coast express had arrived thirty-five minutes early. He took this as an inquiry as to what course should be followed, and he replied : 'Adhere to your time-table.' That was the position they had adopted throughout. There had never been a move made by the Great Northern in connection with this so-called racing ; he did not believe there had been any racing. But, incidentally, the company had suffered, and he would explain how. In the framing of their time-table to Scotland, the Midland made alterations in their trains which affected the Great

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Northern service to Leeds and Bradford. With a shorter distance to Leeds and Bradford, and being able to run as fast as anyone else could, the Great Northern could not sit down and allow alterations to be made on another line which placed this company and their passengers at a disadvantage, and therefore they felt compelled to alter the times of some of their trains. They could not, and would not, allow their Yorkshire traffic to London to be taken away from them. The directors believed, however, that the interests of the public were better served by punctuality and comfort than by speed and discomfort, and that had been their policy.

He was doubtful whether sufficient effort had been made in the past to bring railway companies into line in these matters. Great advantages would arise if all companies running to competing points would, before alterations were made, exchange the proposed alterations with each other, and he desired it to be known that the Great Northern were prepared to fall in with such an arrangement. British railway companies were told they ought to adopt American methods; they should build larger engines and larger waggons, which would carry bigger loads and earn the companies more money. Well, the Great Northern Company had, ever since the present locomotive superintendent had held that office, been continuously increasing the size of the engines built at Doncaster. These changes could not all be made at once, but the proprietors might rest assured that the Board were not only alive to the necessity for them, but were giving effect to them. No more of the small engines were being built, and as they died out, they were being replaced by engines which pulled at least 30 per cent. more weight than their predecessors. Their goods engines were also being increased in size, and they had made a resolute effort to increase their loads; but he could not promise that the saving of nearly 800,000 engine miles effected in the past half-year would be doubled in future half-years immediately. He was told that in America much had been done in recent years in the way of united working between the various companies, while at the same time there had been a concentration and limitation of the number of companies, all of which led to lessened competition. He was bound to make the confession that most of their troubles were the result of

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over-competition. He dared say all the other railway chairmen thought the same, but perhaps they did not all like to say it. It was their bounden duty to lose no opportunity of bringing railway companies into closer union one with the other, and trying by some simple and common-sense expedients to reduce the—he had almost said insane—competition which took place in some districts. They would, he thought, be driven to it by sheer force of pecuniary necessity, if for no other reason. Any movement for lessening competition and making a closer union of control, and thus trying to save some of the enormous expenditure which was now wasted, would be welcomed by the Great Northern Board on all occasions.

In conclusion, the chairman announced, amid applause, that Lord Rosebery had been invited, and had accepted, a seat on the Board, to fill the vacancy caused by the death of Sir Alexander Fairbairn.

Taking the speech on the whole, it was a sensible one, for instead of wilfully misleading the shareholders by optimistic forecasts of the future, the chairman wisely prepared them for misfortunes to come.

In face of the past results of this company and the somewhat dark outlook, it has been suggested in some quarters that there should be an amalgamation of the Great Northern and North-Eastern companies, and though such an amalgamation may not seem an immediate probability, nevertheless the suggestion is worthy of serious consideration.

CHAPTER XVII

THE GREAT CENTRAL RAILWAY

THE Great Central Railway is the London extension of the Sheffield, which was an idea of the late Sir Edward Watkin, and it would have been wise for the company, perhaps, judging from the results up to the present and the gloomy prospects that are foreshadowed, if the company had been content with its original line, and had not sought to attain that ambition which has certainly, in its case, 'o'erleaped itself.' It ought to have been seen from the first that it would always have to contend against very severe competition, which will not grow less as the years roll on, whilst it has already burdened itself with such an accumulation of capital that it is doubtful whether it will be able to do any other than drag along a painful and struggling existence, of little use either to itself or to the public at large. The enthusiasm of the promoters wilfully blinded itself to the enormous difficulties it would have to face; hence the unexpected has happened, with the most painful consequences. In the first place, the line cost many

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more millions than was originally estimated ; then the major portion of the capital had to be raised on onerous terms ; the traffic that has come to it has greatly disappointed expectations ; whilst the conditions that have had so distressing an effect upon all the other railways of the kingdom have not helped to lighten its difficulties, and the prospects of getting more traffic in the near future are so uncertain that its burdens will grow heavier instead of lighter. In consequence of its inability to pay dividends on the greater portion of its preference stocks and its ordinary stock, and the unlikelihood of its paying them for a remote period, there has been such a decline in the market values of the stocks that it is not easy to find a parallel to it in the whole history of our railways.

The various stocks of the company are as follows, the preference issues being given in the order in which they rank : £9,668,600 ordinary stock (formerly there was an optional division of ordinary stock into equal amounts of preferred and deferred stock, but in 1897 this division was made compulsory, and the ordinary stock is now represented by £4,834,300 preferred stock, and a similar amount of deferred stock ; the preferred ranks first for 6 per cent. per annum, the deferred taking all over that rate ; arrears of dividend on the preferred in the first half of the year are to be made good out of any dividend declared in the second half ; the dividend on the preferred stock for the whole year has to be earned before the deferred stock can get any return for the first half of the year) ; £1,066,083

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first preference stock, $4\frac{1}{2}$ per cent., non-contingent; £366,698 $3\frac{1}{4}$ per cent. preference stock, non-contingent; £872,000 6 per cent. preference stock, non-contingent, and ranking equally with ordinary capital for dividend above 6 per cent.; £628,300 5 per cent. guaranteed stock, non-contingent; £1,008,000 5 per cent. perpetual preference stock, contingent; £448,980 4 per cent. guaranteed South Yorkshire rent-charge stock, having a lien on the net earnings of the South Yorkshire undertaking; £1,797,428 $4\frac{1}{4}$ per cent. South Yorkshire perpetual rent-charge stock; £1,100,000 5 per cent. preference stock, 1872, contingent; £1,080,000 5 per cent. preference stock, 1874, contingent; £1,500,000 5 per cent. preference stock, 1876, contingent; £1,000,000 5 per cent. preference stock, 1879, contingent; £1,380,000 5 per cent. preference stock, 1881, contingent; £1,500,000 4 per cent. preference stock, 1889, contingent, and having a prior claim on the profits of certain lines (the stock is convertible into moieties of preferred and deferred ordinary stock at any time after the ordinary capital shall have been paid $4\frac{1}{2}$ per cent. for two successive years); £2,230,000 4 per cent. preference stock, 1891, contingent, with a similar option to the above; £3,100,000 5 per cent. preference stock, 1894, contingent; and £10,900,666 first debenture stock, bearing $4\frac{1}{2}$ per cent. interest, and £500,000 second debenture stock, bearing $3\frac{1}{2}$ per cent.

For the half-year to June 30, 1890, the ordinary dividend was $\frac{3}{4}$ per cent. per annum; to December,

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1890, $4\frac{3}{4}$; to June, 1891, $\frac{1}{4}$; to December, 1891, 4 ; to June, 1892, $\frac{1}{4}$; to December, 1892, 3 ; and to June, 1893, nil—all preference charges being met. To December, 1893, only preference charges down to and inclusive of the £1,100,000 4 per cent. preference stock were met, earnings having been affected by the coal strike ; to June, 1894, only the full preference charges were met ; to December, 1894, the ordinary got $1\frac{1}{2}$ per cent. per annum ; to June, 1895, only the full preference charges were met ; to December, 1895, the ordinary stock received $1\frac{3}{4}$ per cent. per annum ; to June, 1896, 1 per cent. ; to December, 1896, $1\frac{1}{2}$; to June, 1897, the ordinary received $\frac{1}{2}$; to December, 1897, the preferred ordinary got 2 per cent. per annum ; and to June, 1898, 1 per cent. Interest on the capital raised for the purpose of the London extension was during construction (to August 25, 1898) provided out of capital. To December, 1898, preference dividends down to and inclusive of the 1891 stock were paid, and to June, 1899, down to the 1899 stock, after taking £25,000 from reserve ; to December, 1899, down to the 1876 stock, full and 1 per cent. per annum on the 1879 stock, after transferring the balance of £10,000 of the reserve fund ; to June, 1900, down to the 1872 stock, with £22,876 carried forward ; to December, 1900, in full up to and including 5 per cent. 1872 stock, with £922 carried forward.

The following is the report of the directors for the past half-year :

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The report of the directors of the Great Central Railway Company for the half-year ended June 30 last, to be submitted to the meeting to be held at Manchester on August 7, states that the net earnings of the past half-year, including £922 brought forward, were £537,782. After providing for debenture and other interest charges, this amount, together with £8,000 transferred from revenue contingencies account, will admit of the payment of the preference dividends down to and including the 4 per cent. preference stock, leaving a balance of £1,250 to be carried forward. It is satisfactory, it is stated, to record the fact that the accounts show an increase under the heads of passenger traffic and parcels and mails. The prevailing depression in trade, particularly in the iron and coal industries, has prevented that natural development of the company's business for which, under more normal conditions, the proprietors might reasonably have looked. This unfavourable state of affairs has been aggravated by the adverse reaction in foreign trade, and consequent diminution in the Continental demand for steam coal, resulting in a decrease in the shipments at Grimsby. The falling-off in trade above referred to has affected more especially the older portion of the company's system. On the other hand, the traffic on the London Extension continues to make steady progress in all departments. The high price of fuel and the increase in wages have augmented the working expenses, but the greatest economy has been exercised in all directions. The working expenses are 71·13 per cent. on the gross revenue, as compared with 69·74 per cent. for the corresponding half-year of 1900. The directors are still pursuing the policy of effecting savings wherever it is found possible without sacrificing efficiency, and they trust that with the return of a more favourable condition of trade the result of the working will show a corresponding improvement. The following tables show the receipts, expenditure, and net revenue of the half-year, as compared with the corresponding period of 1900 (Table A).

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TABLE A.—REVENUE.

	1901.		+ Increase or - Decrease.
	£		£
Passenger traffic	304,472	...	+ 23,500
Parcels and mails	114,766	...	+ 13,668
Merchandise and live stock	524,731	..	- 37,876
Minerals	468,855	...	- 16,005
Grimsby Dock dues and wharfage	29,533	...	+ 2,706
Canal traffic	6,254	...	- 18
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Traffic receipts	1,448,611	...	- 14,025
Mileage and demurrage	10,002	...	- 1,495
Rents, transfer fees, sundry receipts	52,696	...	+ 3,978
Steamship receipts	52,792	...	- 5,161
<hr/>			
Total receipts	1,564,101	...	- 16,703
Expenditure	1,112,532	...	+ 10,094
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Net receipts	451,569	...	- 26,797
G. C. proportion of joint lines net receipts	85,290	...	- 2,350
Balance from previous half-year ...	923	...	- 276
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	537,782	...	- 29,378
Revenue contingencies account ...	8,000	...	+ 8,000
<hr/>			
	545,782	...	- 21,378
Less: Debenture, etc., Interest ...	265,590	...	+ 9,015
„ Interest on Lloyd's Bonds...	55,880	...	+ 380
„ General interest account ...	6,641	...	+ 2,371
„ Steamship depreciation and renewal	2,500	...	—
„ Railway rolling-stock trust: Hire of working stock ...	22,000	...	—
„ Nottingham Joint Station Committee: Interest on capital	8,589	...	+ 8,589
„ Banbury Branch: Interest on advance by Great Western Railway Company ...	4,894	...	+ 4,894
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Net revenue	179,688	...	- 46,627
Deduct preference charges...	178,438	...	- 25,000
Balance carried forward	1,250	...	- 21,627

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EXPENDITURE.

		1901.		+ Increase or - Decrease.
		£		£
Maintenance of way	119,170	...	- 3,752
Locomotive power	349,718	...	+ 13,290
Carriage and waggon repairs	... ..	84,302	...	- 5,531
Traffic expenses	... ..	351,270	...	+ 6,225
General charges	... ..	41,084	...	+ 226
Law and Parliamentary expenses...		5,779	...	+ 1,097
Compensation	... ..	15,183	...	- 2,870
Rates and taxes	... ..	47,584	...	+ 1,771
Government duty on passengers...		1,366	...	+ 219
Rents payable	... ..	23,302	...	+ 251
Ferry-boat expenses	... ..	4,904	...	+ 220
Maintenance of Grimsby Docks	... ..	15,832	...	- 754
Canal expenses	... ..	10,778	...	- 136
		<hr/>		<hr/>
		1,070,272	...	+ 10,256
Steamship expenses	... ..	42,260	...	- 162
		<hr/>		<hr/>
Total expenditure	... ..	1,112,532	...	+ 10,094

GREAT CENTRAL PROPORTION OF JOINT LINES WORKING.

RECEIPTS.

		£		£
Cheshire lines	... ..	164,506	...	+ 2,670
South Junction Railway	... ..	38,329	...	+ 843
West Riding Railway	... ..	39,392	...	- 1,302
Sheffield and Midland Railway	... ..	46,191	...	- 405
O. A. and G. B. Railway...	... ..	7,575	...	+ 141
Macclesfield Railway	... ..	7,836	...	+ 40
North Wales and Liverpool Railway	... ..	6,081	...	+ 1,092
		<hr/>		<hr/>
Total receipts	309,910	...	+ 3,079
Expenditure	224,620	...	+ 5,384
		<hr/>		<hr/>
Net receipts	85,290	...	- 2,305

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EXPENDITURE.

	£		£
Cheshire lines	135,056	+	4,172
South Junction Railway	19,159	+	38
West Riding Railway	20,299	+	790
Sheffield and Midland Railway	29,658	+	797
O. A. and G. B. Railway... ..	9,668	+	345
Macclesfield Railway	5,274	-	749
North Wales and Liverpool Railway	5,506	-	9
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Total expenditure	224,620	+	5,384

The Omnibus Bill promoted by the company has passed through Committee of both Houses of Parliament, and now awaits the royal assent. This Bill includes provisions postponing the time for completion of various works, and disposes, in a manner favourable to the company, of certain contentions with regard to their new entrance into London. The Humber Commercial Railway and Dock Bill, authorizing the construction of a new dock at Grimsby, has also passed through Committee of both Houses of Parliament, and now awaits the royal assent. A provisional agreement, providing (subject to the fulfilment of certain conditions) for the leasing of the undertaking to the Great Central Company for a term of 999 years, is scheduled to the Act. The Shireoaks, Laughton, and Maltby Railway Bill, for a line extending from a junction with this company's railway near Shireoaks into a newly-opened portion of the South Yorkshire coalfield, has passed through the House of Commons, and is unopposed in the House of Lords. Measures have been taken which will vest the control of this undertaking in the hands of this company and the Midland Company jointly. Neasden and High Wycombe line: the directors have not yet placed the contract for the works on the authorized line from Neasden to Northolt, but hope to do so shortly. The contract for the Great Western and Great Central Joint Line from Northolt to High Wycombe has been let. New works: the various loops and sidings referred to in previous reports, with the two exceptions of those at Dunford Bridge and Darnall, have now been brought into use with advantage to the working of the traffic, and the economy

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effected thereby is shown, it is stated, in the accounts now submitted.

Thus, from this report we gather that one more stock has been added to the list of those in default, showing that the following are dividendless :

			£
5 per cent. Preference, 1872	...	...	1,000,000
5 per cent. Preference, 1874	...	...	1,080,000
5 per cent. Preference, 1876	...	...	1,500,000
5 per cent. Preference, 1879	...	...	1,000,000
5 per cent. Preference, 1887	...	...	1,380,000
4 per cent. Preference, 1889	...	...	1,500,000
4 per cent. Preference, 1891	...	...	2,230,000
5 per cent. Preference, 1894	3,100,000
Preferred Ordinary	4,834,300
Deferred Ordinary	4,834,300
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Total	22,458,000

I cannot accept the explanation of the chairman that these results are due only to 'depression in trade,' and a much deeper and a more significant cause must be found, namely, the lack of traffic, which will affect it in good times as well as in bad; and as for the 'steady progress,' of which the report makes so much, shareholders would be more ready to believe this if evidence of it were forthcoming. However, we can give the directors credit for one thing, and that is for the small increase in the expenditure, which compares more than favourably with the other companies. Though the capital expenditure was not so great as usual, the capital account still shows the large overdraft of £5,041,878, the sum of £163,140 of new capital having been

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raised during the half-year by the issue of $3\frac{1}{2}$ per cent. second debenture stock, whilst the only means of raising further money is by the issue of further debenture stock to an amount of about four and a half millions sterling.

As the chairman's speech at the half-yearly meeting was of great importance, I give it in full, so that shareholders may study it at their leisure:

'This is, I believe,' he said, 'the fourth semi-annual meeting that I have presided over, and it has been my lot upon each occasion in the past to have to explain a position that has been peculiar to our own undertaking. To-day I find myself in line with other railway chairmen, and my task, if disagreeable, is in no sense particular. A combination of causes quite uncontrollable by any management has had a disastrous effect upon the net revenue of the railways of the kingdom, and although I hope that some of these causes—particularly the high price that has had to be paid for coal—have passed, the prosperity of the future must depend to a large extent upon the commerce of the country. However, railways did not greatly benefit when trade was at its best, and dark times impose the necessity for vigilance in connection with all spending departments, and frequently lead to permanent economies being effected. You will observe that we have an increase in our passenger traffic of £23,500 over the corresponding period of last year. The first-class passenger traffic showed an increase in numbers of 14,612 and in receipts of £3,088; the third-class traffic an increase of 496,252 in numbers and of £18,343 in receipts; while our season-ticket holders have increased in numbers by 1,846, giving £2,070 in additional receipts. The total number of passengers carried during the half-year was 8,813,671, in addition to season-ticket holders, who numbered 12,366. Perhaps I should say that of the £23,500, our total increase in this department, £16,310 is in respect of the London Extension Line. Our parcels and mails item shows an increase. In merchandise traffic we have a decrease of no less than £36,441, and this is spread over the whole of our old system, and is to

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a very large extent due to the unsatisfactory state of trade at all the large centres we serve. The decrease would have been much greater but for the fact that Nottingham, Leicester, and London have shown substantial increases. Our live stock traffic shows a decrease of £1,435, and those two figures together make up the sum of £37,876 referred to in the report. Of minerals we have carried during the half-year 5,926,804 tons, and have received therefor £468,855, as against 6,104,822 tons and £484,860 in the corresponding half-year, a decrease of 178,018 tons and £16,005. The decrease in the tonnage carried and money received would have been greater but for the fact that our connection with the Great Western viâ Banbury and with the London and North-Western viâ Neasden have given us substantial increases. Steamship receipts show the unsatisfactory decrease of £5,161, each of the chief centres, Hamburg, Rotterdam, and Antwerp, contributing to this. The diminution is in all the trades, and is due to fewer voyages and the falling-off in coal, pig-iron, mineral, and general merchandise shipments. Our total receipts from all sources for the half-year are £1,564,101, as against £1,580,804, a decrease of £16,703.

‘The expenditure calls for more extended remarks, and I would mention in connection with it that at the beginning of the half-year the whole of our chief officers met, and we carefully considered in what way saving could be effected, looking to the high prices of coal and materials. I think that very great credit is due to those officers for the great economies they have been able to effect. I will not say that it would be wise to continue some of those economies for a long time, but it is satisfactory to find that in times of depression savings can be effected that do no permanent harm to the undertaking. Maintenance of way shows that £1,453 has been saved in wages, £1,455 in repairs of roads, bridges, signals, etc., and £1,629 in repairs of stations and buildings. On the other hand, materials have cost upwards of £900 more, so that we have a net decrease in this department of £3,752. Our most important spending department is that in connection with locomotive power. Our consumption of coal was 268,830 tons, and this cost us 3s. 1·62d. per ton more than at the corresponding period, representing an increase of £42,140.

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Our locomotive engineer was, however, able to decrease the consumption per engine mile run by 2·86 lb. per mile, and as the number of these engine miles come to 12,357,584, the actual saving in fuel amounted to 17,866 tons, representing £8,504 in money, while at the same time our own engines have done more work, and in connection with the engines borrowed the cost of fuel has been £5,176 less than at the corresponding period. These two figures deducted from the before-mentioned £42,140 reduce the increased cost of coal to £28,460. Owing to a decrease in our train mileage from 9,197,888 miles to 8,954,609 miles, a saving of mileage of 243,279 miles has been effected, and this has resulted in a saving of £3,295 for wages, £1,186 for water, £3,012 for oil, tallow, etc., while repairs and renewals have been less by £1,732 in connection with borrowed engines returned. There were increased receipts from locomotive power supplied to other companies, which further reduced our expenses, so that the net figure we have to deal with to-day shows an increase of £13,290. I may mention that on the 30th June last year we had on hire from other companies fifty engines. On the 30th June this year we had twenty-three only, and since that date we have returned to the lenders a further six, so that the total number borrowed is now only seventeen. You are aware that we have further engines on order, which will be delivered very shortly, when the remainder of the borrowed stock will be dispensed with.

‘A saving has been effected in our carriage and waggon repairs amounting to £5,531, over £1,000 of which represents a reduced sum paid for hire of waggons. Traffic expenses show an increase of £6,225, the whole of which is in wages, but we have had to pay our proportion of the staff at Nottingham Joint Station this year, and this accounts for about £1,000 of the addition. General charges show only the small increase of £226, and law and Parliamentary expenses £1,097. Compensation is £2,870 less, owing to the fact that the Wrawby accident provision, which was spread over several half-years, has been disposed of. Workmen’s compensation is also less this half-year by £1,600. On the other hand, small claims have increased by £925, and other goods claims by upwards of £1,500. Rates and taxes show an increase of

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£1,770, and although this is a smaller increase than we have had to deal with in some past half-years, it is still an item that causes us much concern. I believe I am right in stating that the amount paid for rates and taxes by the railways of the Kingdom will this half-year represent fully 6s. 8d. in every £ distributed as dividends upon the ordinary stocks of the companies. Our total expenditure is £1,112,532, against £1,102,438 in the corresponding half-year, an increase of £10,094. Our ratio of working expenses to revenue is now 71·13 per cent., as compared with 69·74 per cent. for the corresponding half-year of 1900, an increase of 1·39 per cent., which, under all the adverse circumstances with which we have had to deal, I do not think you will consider unsatisfactory. Deducting the working expenses I have just mentioned from our total receipts, we arrive at the net figure of £451,569, and to that we have to add our proportion of receipts from joint lines. These joint lines have naturally been affected in the same way as our own system. The Cheshire lines gave us £1,501 less, the West Riding £2,092 less, and the Sheffield and Midland £1,201, and the Oldham line £204. On the other hand, we have received more from the following: Manchester, South Junction, and Altrincham, £804; Macclesfield, £788; North Wales and Liverpool, £1,101; so that our total net decrease in receipts under this heading amounts to £2,305.

‘Adding to balance brought forward from last half-year, the figure at our disposal is £537,782. Our debenture interest is £9,015 more than at the corresponding period of last year, owing to issues of second debenture stock made since that date. Lloyd’s bonds interest shows an increase of £380, as compared with last year, but is less by £1,250 than it was six months since. General interest shows an increase of £2,371, nearly the whole of which is represented by the increased amount payable on our provident savings-bank deposits, which now amount to the large total of £738,916. Nottingham Joint Station rent, £8,589, is an item that did not figure at the corresponding period, and the same is the case with the Banbury branch interest, £4,894, so that our net revenue available for distribution, including £8,000 transferred from revenue contingency fund, amounts to the sum of

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£179,688, a decrease of £46,627 over the corresponding period of last year. With reference to the taking of the £8,000 from the contingency fund, I hope you will consider that our transferring this comparatively small sum is an indication that we consider that the outlook for the next half-year is not unfavourable. The figure of £179,688 I have named permits of the payment of dividends upon all stocks down to and including the 4 per cent. preference stock, and will leave a balance to be carried forward to the next half-year of £1,250. I regret I have not a more favourable statement to present to you to-day, but in the present state of trade you cannot have expected anything else, and we can but hope that the trade depression is only temporary, and that the future will give brighter results.

‘It will, I know, interest you to learn that the decrease in our receipts is entirely upon the old line; the receipts from the London Extension, so far as it has been possible to ascertain, show an improvement of nearly £40,000 over the corresponding period. Our Banbury branch line is improving, and given a little improvement in general trade, of which there are some indications at one or two of the centres we serve, the result of the current half-year should not be disappointing. The traffics for the past few weeks have unfortunately been affected by the strike among the fishermen at Grimsby, where more than 400 steam trawlers are at present laid up. It is believed, however, that this strike is not likely to be of long duration, and it has perhaps fortunately occurred at a time when the trade of the port is not at its briskest. Our coal contracts that terminated in June last have been renewed upon fairly satisfactory terms, and the cost to us of coal for the current half-year, including the contracts we have had running for some little time, will not work out at much over 9s. 6d. per ton, and this should represent a saving of upwards of £50,000. I will now ask your attention for a few minutes in regard to matters mentioned in the report. Our Bill has, since the issue of the report, received the royal assent, and, as stated, it disposes in our favour of certain contentions in regard to our new entrance into London. As this matter is now, I trust, definitely closed, I do not propose to say anything more about it.

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‘With regard to the Humber Commercial Railway and Dock Bill, I have at other meetings referred to the desire upon the part of persons interested in the port of Grimsby to see an extension of the docks there, and six months since I explained in a few words our intentions in connection therewith. It is now my duty to give you fuller information, and I do so with much pleasure, as I feel sure you will appreciate what has been done. Under the title of the Bill I have just referred to, the Humber Commercial Railway and Dock, a Bill was promoted this year by the parties largely interested—namely, the traders, landowners, and Corporation—for a dock capable of taking in vessels of the largest class. We have at Grimsby, in our Royal Dock, 6 feet 6 inches on the sill at low water. The area of this dock is 25 acres, which is now utilized very nearly to its full capacity, and our expenditure from first to last at Grimsby may be taken at three millions. During the last fifty years or so the development of the port is shown by the following increases: population, 54,000; coal shipped, about 2,000,000 tons; timber imported, 225,000 tons, and fish traffic, 133,000 tons. The value of the goods exported in 1855 was £1,405,146, and in 1900, £10,696,534, an increase of £9,291,388. The new dock has been designed by Sir John Wolfe Barry, is 43 acres in extent, with provisions for future extensions, and will have 16 feet 6 inches on the sill at low water. It will be constructed upon land which, to a large extent, is our property, and will in every way be suitable for dealing with vessels of the largest class engaged in the Humber trade. The promoters have made various arrangements, and the Great Central have made others, subject to your approval, which approval will be formally asked for when others have done their part. In brief, the position is as follows: The East Coast and Sutton Railway and Dock scheme is to be abandoned, the mine owners of Derbyshire are to enter into guarantee assuring to the new dock a coal tonnage of not less than 1,000,000 per annum, and they are to be entitled out of the freights payable to have applied a 3d. per ton terminal, which is to be attached to a stock of £300,000, part of the new company’s capital, and for this stock the mine owners or their friends are to subscribe. When these things have been done, the Great Central Company

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is to take a lease of the dock on completion for 999 years, at a rental of about £28,000 per annum. During the first years of this lease, while the trade of the dock is developing, the Corporation, landowners, and traders of Grimsby have guaranteed a subsidy of £5,000 per annum, so that our liability during these years will be reduced to £23,000. It is estimated that the revenue from the guaranteed traffic and the subsidies referred to will entirely relieve the Great Central from liability in respect of the rent, and further that the new trade that will be brought to the port should eventually prove advantageous to our company, and fully justify the obligations we propose to take and the equipment we shall have to provide. The new works referred to in the report are those I have upon several occasions referred to—namely, the loops and sidings to facilitate the working of our traffic. I attribute a considerable part of the saving in our engine-power during the past half-year to the accommodation that has already been provided, and I hope that when the two important works now in course of completion are finished we shall see further improvements in this direction.

‘I ought, perhaps, to take the opportunity of this meeting to refer to questions that were raised when we last met, and which I am aware have been discussed in the press pretty freely during the past few weeks. I mean the relative positions of our preference charges, particularly what we know as our South Yorkshire stocks. Let me, then, state that our South Yorkshire rent-charge stocks are secured by a special charge upon the traffic passing over the South Yorkshire line, and that this traffic, after deduction of 38 per cent. for working expenses, is to be primarily responsible for the interest upon those stocks. As stated at our last meeting, we do not keep separate accounts in connection with this part of our system, but we have had a careful approximate statement of these receipts prepared, and I find that for the past half-year they amounted to £303,508. Deducting working expenses at 38 per cent.—£115,333—there is left a net sum of £188,175 available for the payment of the three rent-charge interests, which, together, amount to £59,425, of which the 4 per cent. guaranteed stock issued in respect of the preference stock of the old South Yorkshire Company, created under the powers

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of their Act of 1850, takes £8,980. This is a cumulative charge, and it is stated so to be on the certificates. The £490,000 irredeemable 5 per cent. South Yorkshire rent-charge stock takes £12,250. This stock represents two stocks which were created in 1866 and 1872, and are both governed by the Companies' Clauses Act of 1863, and are non-cumulative. Then there is £1,797,428 of South Yorkshire $4\frac{1}{2}$ perpetual rent-charge stock, which takes £38,195, and this stock, which was issued in respect of stocks of the old company, was created under the powers of the Manchester, Sheffield, and Lincoln Act, 1877, which incorporated the Companies' Clauses Act, 1863, and is therefore non-cumulative. These are the facts, and I thought I had made the position clear at our last meeting. I now feel justified in assuring the holders of these securities that, with a revenue for the half-year of the figure just stated—£188,175, and a charge for the half-year of £59,425—they may rest thoroughly satisfied with their security, because, even should there be a coal strike and no revenue be received from minerals, the earnings from coaching and merchandise traffic would form an ample margin of security.

‘I do not think, gentlemen, that under all the trying circumstances of the past half-year you will complain of the statement I have placed before you to-day, but it is a matter for serious consideration how long the present condition of things affecting all railway enterprise will continue. The public is ever calling for greater facilities, and expects to pay nothing extra for them. Working expenses may be cut down for a time to meet exceptional circumstances, but the general trend is upwards, and the Legislature is disposed to constantly increase our burdens, while at the same time we are told that we cannot expect to have monopolies without being subject to restrictions. I believe no other business of the country could be carried on under the conditions now ruling. Upwards of 1,150 millions of money have been spent upon the 22,000 odd miles of railway in the kingdom, and this so-called monopoly produces 3 per cent., or possibly a fraction over. Two-thirds of the 1,150 millions has been raised in the form of debenture, guaranteed and preference capital upon the credit of the ordinary capital, and upon the latter, taking all the railways

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of the United Kingdom together, good and bad, the return for the current half-year will, I think, be well under $2\frac{1}{2}$ per cent.—not much of a return for a “monopoly.” I am not sure that the happiest companies are not those who this session have been refused the powers they sought, and have thereby postponed expenditure which would probably have returned them but a mere pittance in the way of interest. Railways may have been monopolies when territories were reserved to them, and no doubt it was on the strength of such reservations that a good part of their large capital was subscribed, but nowadays Parliament respects no interests of this kind; the so-called convenience of the public is the only consideration. The investing public, however, have the matter in their own hands, and they will, I feel sure, before long refuse to provide capital for competitive undertakings, whether brought forward by municipalities or others, and then we may see a return to comparative prosperity.’

CHAPTER XVIII

THE GREAT EASTERN RAILWAY

THE Great Eastern Railway has been one of the most pushing of our second-rate railways, and it has now stepped from the second-class into the first. But, like the others, it has fallen on evil times, and no man can foresee when it will emerge from them. Indeed, it is by no means certain that it ever will emerge from them, but may sink deeper and deeper into them, so that the shareholders have need to be deeply anxious about the future. The prospects for the current year, to look no further ahead, are not very hopeful. Up to November 17th we find that the passenger receipts show an increase of £29,000, and the goods train receipts an increase of £3,000, thus showing a net increase of £32,000, though this is a better showing than many of the other railways can boast of.

The capital of the company is made up as follows :
£13,262,886 ordinary stock ; £4,966,596 consolidated irredeemable guaranteed stock, bearing 4 per cent. interest ; £478,031 rent-charge stock, carrying 4 per cent. interest ; £5,041,708 con-

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solidated preference stock, 4 per cent.; £650,000 Metropolitan stock, issued in 1871 at 5 per cent. premium, bearing 5 per cent. cumulative interest, guaranteed by a first charge upon the receipts of the Metropolitan portion of the Great Eastern system, and specially exempted from suffering by any future priorities or increase of capital; £2,625,000 preference (redemption) stock, 4 per cent., issued in 1887-88 in redemption of preference stock, 1876, and Northern Extension stock, and is perpetual; £700,000 preference stock, 1881, 4 per cent.; £1,500,000 preference stock, 1884, 4 per cent.; £750,000 preference stock, 1887, 4 per cent.; £1,250,000 preference stock, 1888, 4 per cent.; £1,365,000 preference stock, 1890, $3\frac{1}{2}$ per cent.; £1,500,000 preference stock, 1893, $3\frac{1}{2}$ per cent.; and £16,007,004 debenture stock, bearing 4 per cent. interest.

The company's debenture capital increased from £11,171,361 in 1881, to £16,076,520 at the end of 1900; its preferential capital from £13,914,793 to £20,826,335; and its ordinary capital from £10,581,625 to £13,862,886; whilst its gross receipts during the same period advanced from £3,128,315 to £5,585,880.

The following is the record since 1885 of the ordinary dividends paid each half-year, the highest and lowest prices of the shares, and the balances carried forward (see Table opposite):

The table gives evidence of the improvement that has taken place in the fortunes of the company during the last fifteen years; and though the com-

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Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.
			£	£
1885 . .	69 $\frac{1}{4}$	57 $\frac{5}{8}$	$\frac{3}{4}$ 4,229	3 $\frac{1}{4}$ 21,280
1886 . .	74 $\frac{1}{4}$	62 $\frac{1}{2}$	$\frac{3}{4}$ 10,023	3 $\frac{1}{2}$ 35,541
1887 . .	70 $\frac{5}{8}$	64 $\frac{1}{4}$	1 7,080	3 $\frac{1}{2}$ 40,504
1888 . .	72 $\frac{1}{4}$	63 $\frac{3}{4}$	1 $\frac{1}{4}$ 17,495	3 $\frac{1}{2}$ 40,000
1889 . .	84 $\frac{1}{4}$	68 $\frac{3}{8}$	1 $\frac{1}{2}$ 27,530	4 61,350
1890 . .	94 $\frac{1}{2}$	80 $\frac{3}{8}$	2 30,372	4 50,491
1891 . .	97 $\frac{1}{8}$	87	1 $\frac{1}{2}$ 4,712	3 $\frac{3}{4}$ 31,294
1892 . .	91 $\frac{1}{4}$	82 $\frac{1}{4}$	$\frac{3}{4}$ 4,894	3 $\frac{1}{2}$ 40,070
1893 . .	86 $\frac{3}{8}$	73 $\frac{3}{8}$	$\frac{3}{4}$ 7,584	1 $\frac{1}{4}$ 44,208
1894 . .	83 $\frac{3}{4}$	70 $\frac{3}{4}$	1 2,457	2 $\frac{1}{4}$ 49,359
1895 . .	88 $\frac{3}{4}$	74 $\frac{7}{8}$	$\frac{3}{4}$ 2,249	4 50,315
1896 . .	110 $\frac{3}{4}$	86 $\frac{1}{2}$	1 $\frac{1}{2}$ 2,541	4 $\frac{3}{4}$ 50,198
1897 . .	128 $\frac{1}{2}$	109 $\frac{5}{8}$	2 2,666	5 51,283
1898 . .	138 $\frac{5}{8}$	119	2 8,502	5 $\frac{1}{4}$ 51,642
1899 . .	138	120 $\frac{1}{4}$	2 $\frac{1}{2}$ 10,224	5 $\frac{1}{4}$ 56,142
1900 . .	127 $\frac{1}{3}$	100 $\frac{1}{2}$	2 12,099	4 50,652
1901 . .	112	91 $\frac{1}{2}$	1 $\frac{1}{4}$ 9,417	... ..

pany has paid only 1 $\frac{1}{4}$ per cent. for the past half-year—which was not really earned, as the report will show—lower dividends have been paid, thus giving us only a shadow of hope that its fortunes will revive in the future, no matter how dark the prospects may be at present.

The following was the report of the directors for the past six months :

The directors of the Great Eastern Railway Company submit to the proprietors the accounts for the half-year ended June 30. They show a gross revenue from all sources of £2,601,916, against a gross revenue of £2,542,486 in the corresponding half-year of 1900. The working expenses have been £1,742,174, being at the rate of 66·95 per cent. on the

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gross revenue, against £1,599,674, being at the rate of 62·91 per cent. for the corresponding half-year of 1900. From the total net revenue of £859,742, including (1) £50,652 brought forward from last account, (2) £6,830 for dividends on shares held by the company, and (3) £55,000 from the contingent fund, there will be payable, for Metropolitan stock £16,250, for rent-charge stock £9,561, for rental of leased lines £114,575, and for interest on debentures and debenture stocks, etc. (inclusive of the sums carried to the redemption fund), £352,724, leaving £479,114 available for dividend. This sum of £479,114 leaves, after payment of the dividends on the guaranteed and preference stocks for the past half-year, a balance of £92,310, against a balance of £144,728 in June, 1900. The directors have resolved, out of the above balance of £92,310, to declare a dividend for the half-year on the ordinary stock at the rate of $1\frac{1}{4}$ per cent. per annum, leaving a balance of £9,417 to be carried forward to the next account, against a balance of £12,099 carried forward in the corresponding half-year of 1900, after payment for that half-year of a dividend on the ordinary stock at the rate of 2 per cent. per annum. The dividends on all the preference stocks, contingent as well as guaranteed, will be paid on August 1, and the dividend on the ordinary stock on August 15.

There is an increase under each of the following heads of traffic receipts—viz. : £10,070 in season tickets, £54,761 in other passenger traffic, £2,226 in parcels, £18,384 in merchandise, and £1,785 in cattle. The coal traffic, on the other hand, shows a decrease of £32,656. The Continental traffic shows an increase of £6,393, and continues to make satisfactory progress. To meet the development of this traffic, the directors have placed orders for a new passenger and a new cargo steamer with Messrs. Gourlay Brothers and Co., of Dundee. The apparent increase of receipts is £59,430, but the actual is £40,843, the difference of £18,587 being accounted for by certain amounts which the company are paid by other companies for haulage being credited to revenue receipts instead of being treated as a deduction from expenses as heretofore. This alteration has been made in order to simplify the accounts and with the concurrence of the auditors, but has no effect

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whatever in the balance available for dividend. A similar adjustment was made in the accounts for the previous half-year, but will not be required in future half-yearly accounts. After allowing for the above sum of £18,587, there is an increase in the working expenses of £123,913. The directors anticipate a reduction in the working expenses for the current half-year, owing to the more favourable terms on which contracts have been made for coal and certain materials, the contracts for coal showing a reduction of about 6s. per ton as compared with the price for the half-year ended December 31, 1900. The capital expenditure for the half-year has been £559,114, of which the details are shown in the accounts.

The additions to the Liverpool Street Hotel are now completed, though various alterations to the old building are still in progress. It is expected that these alterations will be completed during the autumn, so that the whole hotel will be available for public use before the end of the year. The directors are confident that in every respect this hotel will compare favourably with any hotel in London. Of the new ordinary stock offered to the proprietors, £717,105 has been taken up out of £1,500,000. The Great Eastern Railway Bill (after most unusual opposition at several stages in the House of Commons, and also on third reading in the House of Lords) and the Tottenham and Hampstead Junction Railway Bill, which were approved by the proprietors of the Great Eastern Railway Company at a special meeting on January 29 last, are now awaiting the royal assent. The Kelvedon, Tiptree, and Tollesbury Light Railway Order, which also was approved at the same meeting, has been confirmed by the Board of Trade. The construction of the railway will shortly be commenced.

It has been a great many years since the directors issued so disappointing and really dismal a report as this, but as the company has not been exceptional in that respect, the shareholders must accept it with what grace and comfort they can. It must be borne in mind, however, that the working expenses

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of this company have greatly increased during recent years, whilst capital has been spent on a lavish scale, and had it not been for this, it would have been in a much better position to meet the troubles of the past half-year. As I have said, it really did not earn its ordinary dividend for the last six months, seeing that, in order to pay it, the sum of £55,000 was taken from the contingent fund, and the remainder taken out of the balance brought forward; so that, unless a substantial improvement takes place, which does not look promising, we may see default on the ordinary shares and the prior issues gravely imperilled as trustee stocks. The contingent fund now stands at £64,000, so that any more appropriations from it may see it vanish altogether, whilst the non-existence of this resource would make default only the more certain. Moreover, a further £600,000 of new ordinary stock will rank for dividend this half-year, and a still further large sum a year hence, so that the ordinary stock-holders cannot be said to have very substantial hopes to rely upon.

The chairman's speech at the meeting was a very important one, in face of the results of the past six months and the company's uncertain outlook. It will be seen from this that he has promised to cut down the expenditure and to spend capital on a less lavish scale. Experiments are also to be made with a 30-ton truck, in order to test the advantages of moving traffic in larger bulk, and the company intends also to move heavier loads by lengthening its trains. This gives us some

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evidence of progression, and we may, perhaps, see in it the hope that the company may ultimately adopt heavier trucks, in accordance with the American system, and if so, it would undoubtedly vastly improve its earning capacity.

The chairman, in moving the adoption of the report and accounts, said he was afraid he was in the position which would shortly be occupied by most, if not all, of the chairmen of railway companies in the United Kingdom, in having to give a somewhat melancholy account of the working of the past half-year. As regarded their own working, it came out only a little worse than what he ventured to tell the proprietors to anticipate, having regard to the very heavy working expenses, when he addressed them in February last, and that had been due to an unexpected falling-off under one head of traffic—namely, the carriage of coal. Though the general account he had to give of the working was not very satisfactory, there were some cheering points. The passenger receipts for the past half-year were in excess of those of any previous June half-year in their history. The first-class passenger traffic showed an increase of 509,000 in number, bringing in additional receipts of £5,441. The second-class passengers showed an increase of 22,878 in number, giving an increase of £1,998 in receipts. The third-class passengers showed an increase of 2,676,337 in number, accounting for an increase of £47,320 in receipts. There was an increase of £10,069 from season tickets, an increase of £2,226 from parcels and horses, and an increase of a few pounds from mails, making a total increase in receipts under the head of passenger traffic of £67,063. Merchandise showed an increase of £18,382, and live stock an increase of £1,785, whilst minerals showed a decrease of £32,156. At the commencement of the half-year, though the directors did not anticipate any considerable increase in the mineral traffic, they were quite unprepared for this large decrease. It was partly due to coal merchants not having wished to increase their stocks while the prices of coal were so high, and he thought it was further partly accounted for not only by the mild winter which was experienced, but

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also by the great substitution of gas-stove fires in the houses of workmen for coal fires ; in fact, in ordinary weather, when there was no frost, very little coal was now consumed by a large number of the working-classes in the suburban districts, and, of course, the company lost the carriage of the coal traffic. The Continental steamboats showed an increase of £6,372, and that service had been maintained throughout the spring and summer with great efficiency. The total receipts from all sources showed an increase of £59,430.

Turning to the expenditure side, maintenance of way and works showed an increase of £25,000, locomotive power an increase of £56,295, carriage and waggon repairs an increase of £4,535, traffic expenses an increase of £32,730, and general charges an increase of £394. There was a decrease, however, of £731 in law charges, £327 in Parliamentary expenses, and £826 in personal injuries to passengers. On the other hand, damage and loss of goods showed an increase of £1,984, and rates and taxes an increase of £13,415. Carriage and waggon hire showed an increase of £2,042, and Continental steamboats an increase of £7,080. The total increase in the expenses amounted to £142,499. That, when added to the other working expenses, amounted really to an increase of 4 per cent. on the working expenses of the half-year; and it left them short, compared with the previous half-year, of £83,070 towards net revenue. Under the circumstances, the directors did what he told the proprietors they probably would have to do. Out of the revenue reserves which they had happily been able to pile up in their days of comparative prosperity, they had taken the sum of £55,000 in aid of dividend, and this had given the proprietors a dividend, which, though not at all what they should have liked to offer, showed a decrease of only $\frac{3}{4}$ per cent. on the dividend of the previous half-year. The increase in the expenditure on the half-year due to wages alone was £13,274, while the increase due to coal was £47,594, and to stores, which included all materials, £42,578. Coal and stores together amounted to £90,172, and if they took the item of wages, £13,274, and rates and taxes, £13,415, and added them to the former total, it brought up the increased expenditure under those four heads, over which they had no control whatever, to £116,861. Though the increased expendi-

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ture nominally amounted to £142,500, it was actually only £123,913, £18,586 of that amount being due to a change in the accounts which would not appear in subsequent half-years. Coal and stores alone, amounting to £90,172, constituted 72·76 per cent. of the whole expenses. He mentioned that to show that it was mainly due to the increase in the price of coal and of the materials necessary for the railway that they had been temporarily, like other railways, reduced to their present state.

As to the prospects for the current half-year, he was afraid nobody could say they were going to have an abundant harvest. He believed there was no doubt that the quality of the wheat was exceedingly good, but he feared that both barley and oats were not likely to occupy that position. The recent rains would, no doubt, prove most beneficial for the root crops. He was afraid that the carriage of coal was not likely to increase very much in the present half-year. Coal merchants did not seem inclined to make up their stocks, and unless we got some very severe weather before the close of the half-year he did not think the movement of coal would be such as to warrant his suggesting any increase at all. The fish traffic and also the seaside traffic had begun well. Given fairly good weather they had every reason to anticipate a considerable increase in their seaside returns. As to the working expenses, which was the crux of the whole question, all their contracts for coal at the high prices were now at an end. The fall in the contract price of coal was something like 6s. per ton, so that there would be a very large decrease in the expenditure on coal in this half and in the half of next year. As regards materials, they could not hope for a large decrease in price in the present half-year. Owing to the difficulty of obtaining deliveries of the materials which were so necessary for the heads of departments to have at hand, they had to order a very considerable number at the high prices which were then ruling, and many of these materials, if not all, would have to be worked off during the present half-year. Of course, one of the great difficulties which all railways had to contend with was the enormous charges which were being continually piled up by Parliament, through the instrumentality of the Board of Trade, and the annually increasing expenses due to

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the numerous local elective bodies, which during the past ten years had been constituted in different parts of the country. With reference to rates and taxes, the Board of Trade returns were interesting, but sad reading for railway shareholders. In 1891 the rates and taxes which this company had to pay equalled 3·39 per cent. of their receipts; in 1896 they rose to 4·89 per cent., and in 1901 they had risen to 5·3 per cent. of the receipts. During the ten years 1891 to 1901 their receipts had increased 34·8 per cent., while rates and taxes had increased 102·81 per cent. That was a very serious outlook, and it was one with which they were quite incapable of dealing, because they had no power of being represented upon the vast majority of the local bodies which imposed these increased rates upon the community they governed, and it often happened that this company paid at least one-third or one-half of the rates of the community. It was really time, he thought, for some provision to be made by the Legislature for the representation, under the existing state of things, of railway companies upon these local bodies, so that they should have some power of checking, or endeavouring to check, this ever-increasing expenditure.

The proprietors were not to think that during the past eighteen months the directors had been idle in endeavouring either to curb expenditure or to increase receipts. When they foresaw that the price of coal was likely to rise to the very high figure which it ultimately attained, they pressed upon the other railway companies what he called a common-sense view—namely, that coal ought, during times of such prosperity, to be made to pay a higher rate for carriage. The coalowners could have amply afforded it, and he believed the coal merchants could have done the same. They met, and, after a good many discussions, it was virtually settled that a moderate increase should be made, but at the last moment the London and North-Western Railway Company announced themselves unable to see their way to make the advance, and the whole project fell through, to the great detriment of the shareholders of the different lines concerned. They then considered whether they should not make a rise in the very cheap excursion rates which had been in vogue for some years. There the companies were all in agreement, and the higher rates had been in force during the past year. In their case, though at first there was naturally

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a slight falling-off in the receipts from excursions, the superintendent informed him that the receipts were showing a considerable augmentation, notwithstanding the fact that they were now carrying rather fewer excursionists than they did previous to the rise in the fares. Then the railway companies put their heads together to see whether they could not get a slightly extra charge for passengers' luggage. There, again, the companies came to an agreement, but unfortunately after the system had been in force for some little time, the Midland Railway Company said they were unable to keep on the increase, and therefore the whole scheme fell through. Hitherto it had been the custom of railway companies to allow coalowners to have allotments adjoining the railway stations free of charge. The directors considered that that body could well afford to pay a small rent for the land which they thus occupied. The coal dealers grumbled at first, but eventually they saw the equity of the proposal, and agreed to pay a small rent. This would bring in a nice little sum in the course of the next twelve months. After due consideration, the directors had come to the conclusion that it would not be advisable at present to further reduce their present train mileage. But although he did not think they could do much to economize in their passenger traffic, he thought they were all agreed that economies could be made in the working of the goods traffic. During the past two years they had built forty new powerful goods engines capable of hauling fifty loaded waggons, instead of thirty-five, and they were still going on increasing the power of their goods engines. They also hoped to effect some reduction in the shunting expenses. Referring to workmen's trains, he remarked that the County Council and other bodies were attempting to extend the hours of these trains, and if that was successful—that was to say, if they had to carry workmen at fares which were unremunerative—it would be a very serious thing for the future of this company. He thought all railway shareholders, through their representatives in Parliament, should take this question up, and point out that what was being attempted to be done was to make railway shareholders charitable persons to pay for the railway fares of a considerable portion of the working classes, and that if those fares were to be insisted upon, and

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these men were carried at a loss, the community should pay for it, and not themselves. As to capital expenditure, there was no doubt that they could not go on spending at the same rate as they had been doing during the past eight or nine years. The directors were unanimously of opinion that they must adopt a somewhat new course as regards this undertaking, and he was afraid that for the next few years their capital expenditure must be confined, not to what was desirable, but to what was really necessary—that was to say, for the good, efficient, and economical working of the railway. In conclusion, he did not see any reason why the shareholders should be disheartened. There was no doubt that they, like other companies, had received a temporary check, but their position was relatively better than that of some of the other great railways of the country. Therefore they had nothing to be afraid of, and, having received from him an assurance that they were going now to take a new view as regards expenditure on capital account, and to exercise the strictest economy in the management of the line, he thought they might leave the meeting in good spirits, believing that when they met again the directors would have a better account to give them.

CHAPTER XIX

THE LONDON AND SOUTH-WESTERN

THE London and South-Western has always been rightly regarded as one of the most progressive and prosperous of our southern lines, and in consequence of this its ordinary shares have always been a favourite with investors and speculators. But now that it has fallen on evil times, it has suffered very grievously, like the rest of them, and has been unable to minimize its misfortunes by reason of the usual lavish capital expenditure and working costs. We find similar features in the results of the past half-year as in all those of the other railways—namely, an improvement in the passenger traffic and a decline in the goods and mineral traffic, whilst, of course, the high price of fuel has been a heavy burden upon it. Moreover, owing to the new issue taking rank for dividend, the charge upon the $3\frac{1}{2}$ per cent. preference stock took £14,000 more, thus leaving less for a distribution on the ordinary. Thus the dividend on the latter was only $3\frac{1}{2}$ per cent. in comparison with $4\frac{3}{4}$ per cent. in the corresponding period of last year, leaving practically the same balance to be carried forward.

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The capital of the company is made up as follows : £8,894,905 ordinary stock. By powers obtained from Parliament in 1890 holders of this stock have the option, during the first half of each year, of converting their holdings into preferred converted ordinary stock and deferred converted ordinary stock at the rate of £100 of each new class for every £100 of old stock. On the amount of dividend accruing to the converted portion of ordinary capital the new preferred ordinary ranks first for 4 per cent. dividends, not cumulative beyond each year, and paid, as far as earnings permit, in equal half-yearly instalments. The dividend on the deferred stock is paid annually, after the closing of the accounts in December. The amount so converted now stands at £3,189,620, so that there is this amount existing both of preferred converted and deferred converted. In addition, there are £797,980 4 per cent. consolidated guaranteed stock, non-contingent ; £8,944,991 4 per cent. consolidated preference stock, contingent ; £1,999,826 4 per cent. perpetual preference stock, 1884 ; £4,819,802 $3\frac{1}{2}$ per cent. preference stock ; and £13,526,751 debenture stock bearing 3 per cent. interest, of which £1,117,004 is debenture stock 'A' ranking before the remainder ('consolidated debenture stock').

The following is the record of the dividends paid on the undivided ordinary stock, the highest and lowest prices of the shares, and the balances carried forward each half-year from 1885 :

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Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
			£		£	
1885 . .	129 $\frac{1}{2}$	119 $\frac{1}{2}$	3 $\frac{3}{4}$	6,204	6 $\frac{1}{4}$	5,843
1886 . .	128 $\frac{3}{4}$	118 $\frac{1}{4}$	3 $\frac{1}{2}$	14,192	6 $\frac{1}{2}$	11,812
1887 . .	133	123 $\frac{1}{2}$	3 $\frac{3}{4}$	13,188	7	11,118
1888 . .	143 $\frac{3}{4}$	131	3 $\frac{3}{4}$	26,696	7	11,093
1889 . .	160	143 $\frac{1}{2}$	4 $\frac{1}{2}$	25,221	7 $\frac{1}{2}$	21,903
1890 . .	166	151	4 $\frac{3}{4}$	25,090	7 $\frac{1}{4}$	22,287
1891 . .	163 $\frac{1}{2}$	154 $\frac{1}{4}$	4 $\frac{1}{4}$	17,765	7 $\frac{3}{4}$	17,192
1892 . .	177 $\frac{1}{8}$	162	4 $\frac{1}{4}$	15,167	7 $\frac{3}{4}$	22,462
1893 . .	195	175 $\frac{7}{8}$	4 $\frac{3}{4}$	25,994	7 $\frac{1}{4}$	19,958
1894 . .	196	181	4 $\frac{3}{4}$	17,609	7 $\frac{3}{4}$	20,076
1895 . .	204	194	4 $\frac{1}{2}$	15,510	7 $\frac{3}{4}$	23,864
1896 . .	217	197 $\frac{1}{2}$	5	18,485	8 $\frac{1}{4}$	24,805
1897 . .	233	208	5 $\frac{1}{2}$	23,525	8 $\frac{1}{2}$	23,038
1898 . .	236	216	5	15,287	8	18,316
1899 . .	226	198	5	12,858	8	25,247
1900 . .	211	180	4 $\frac{3}{4}$	18,478	7 $\frac{1}{2}$	24,853
1901 . .	192	163	3 $\frac{1}{2}$	18,376	...	...

The following table gives the dividends on the deferred and the highest and lowest prices from 1892 :

Year.	Highest.	Lowest.	Dividends.
1892 . .	60	50 $\frac{1}{4}$	2
1893 . .	76 $\frac{1}{2}$	59	2
1894 . .	73 $\frac{3}{4}$	60 $\frac{3}{4}$	2 $\frac{1}{8}$
1895 . .	74	65 $\frac{1}{4}$	2 $\frac{1}{8}$
1896 . .	80 $\frac{1}{2}$	67 $\frac{1}{2}$	2 $\frac{3}{8}$
1897 . .	97 $\frac{1}{2}$	75 $\frac{1}{2}$	3
1898 . .	98 $\frac{3}{4}$	87	2 $\frac{1}{2}$
1899 . .	94	74	2 $\frac{1}{2}$
1900 . .	85	63 $\frac{1}{4}$	2 $\frac{1}{8}$
1901 . .	73	56 $\frac{1}{4}$...

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The debenture capital of the company increased from £6,263,140 in 1881 to £13,436,947 in 1900 ; the preferential capital from £7,837,188 to £15,962,609 ; and the ordinary from £9,624,149 to £12,084,505, and the gross receipts from £2,732,178 to £4,939,628. For the current half-year, up to November 17, the passenger traffic shows a decrease of £4,000 and the goods traffic a decrease of £5,000, leaving a net decrease of £9,000.

The report of the directors for the half-year ended June 30 last stated that the capital account is as follows: Ordinary stock £12,084,505, guaranteed and preference stocks £16,562,610, and debenture stocks and bonds £13,533,251, making a total of £42,180,366. The expenditure on capital account for the half-year was £579,528. The revenue account shows gross revenue to be £2,346,997, and gross expenditure £1,551,776, leaving £795,221. Debenture interest, preference dividends, and other prior charges amount to £590,219, making the net revenue £205,002, and adding the surplus from previous year, £24,853, there is an amount available for dividend of £229,885. The above amount of £229,885 will admit of a dividend at the rate of $3\frac{1}{2}$ per cent. per annum on the original ordinary stock of £12,084,505, and leave a balance of £18,376 to be carried over to the current half-year. This compares with the dividend of $4\frac{3}{4}$ per cent. on the same amount of ordinary stock and balance of £18,478 at June, 1900, the reduced rate being due to causes more or less adversely affecting, for the time, not only this, but all railways. The dividend for the half-year on the preferred converted ordinary stock will be at the rate of $3\frac{1}{2}$ per cent. per annum. The receipts on revenue account (exclusive of the docks and steamboats) were £2,151,126, as compared with £2,122,238 at June, 1900. The increase of £28,888 is at a less rate than usual, the receipts for the first half-year of 1900 having been £66,626 in excess of those for the corresponding six months of 1899, and about £180,000 over those for the like period of 1898. The expenditure on

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revenue account (exclusive of the docks and steamboats) was £1,357,878, as against £1,275,009 at June, 1900, showing an increase of £82,869. The railway working expenditure was at the rate of 63·12 per cent. of the receipts, as compared with 60·08 per cent. at June, 1900.

The greatly increased cost of coal has seriously enhanced the expenditure of the past six months. Southampton Docks: The dock receipts show a decrease of £352, whilst the expenses are £5,003 in excess of the corresponding half-year of 1900, for which period the dock receipts showed the large increase of £27,099, due to the army transport steamers using the port. The steamboat receipts are more by the sum of £3,190, and the expenditure has increased by £4,793, as compared with the corresponding half-year of 1900. The latter is entirely attributable to the increased cost of coal. The Basingstoke and Alton Light Railway was opened on June 1 last, and Amesbury and Military Camp Light Railway is approaching completion. The works of the Meon Valley Railway and the Exmouth and Salterton Railway are in active progress. The doubling of the Farnham and Alton line was brought into use on June 2, and a new fly-over junction line at Pirbright for the accommodation of the up-trains from Aldershot and to relieve the main line was opened on June 30. The widenings of the lines between Waterloo and Clapham Junction, between Hampton Court Junction and Woking, and between Woking and Basingstoke, are proceeding satisfactorily. Extensive alterations are being carried out at Clapham Junction, Staines, Windsor, Basingstoke, Salisbury, and other stations, which, when completed, will be of considerable assistance in the proper working of the traffic. Good progress is being made with the labouring class dwellings which have to be erected before possession of the properties required for the enlargement of Waterloo Station can be obtained. Although the company is not promoting any Bill of their own in the present session of Parliament, it has been necessary to oppose or watch several schemes more or less affecting their interests.

The following is a summary of revenue receipts and expenditure for the half-years ended June 30, 1901 and 1900:

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RECEIPTS.				+ Increase or - Decrease.	
1901.				£	
£					
Passengers (1st, 2nd and 3rd class)	1,101,026	...	+	19,956	
Season tickets	116,418	...	+	2,864	
Parcels and mails	208,955	...	+	280	
<hr/>				<hr/>	
Total coaching	1,426,399	...	+	23,100	
Goods, minerals and live stock ...	662,944	...	+	2,916	
Waterloo and City Railway ...	16,643	...	+	2,223	
Rents	45,140	...	+	649	
Steamboats and docks	195,871	...	+	2,838	
<hr/>				<hr/>	
Gross total	2,346,997	...	+	31,726	

EXPENDITURE.				+ Increase or - Decrease.	
1901.				£	
£					
Departments and general charges	1,192,362	...	+	63,676	
Law charges and compensation ...	24,555	...	+	9,622	
Rates, taxes and Government duty	117,428	...	+	10,309	
Mileage, charges, tolls, etc. ...	14,267	...	-	271	
Waterloo and City Railway ...	9,266	...	-	467	
Steamboats and docks	193,898	...	+	9,796	
<hr/>				<hr/>	
Gross total	1,551,776	...	+	92,661	

The following was the report of the Waterloo and City Railway :

The report of the directors of the Waterloo and City Railway Company for the half-year ended June 30 last, to be submitted to the meeting on August 8, states that the capital account shows a total outlay of £599,184 on June 30 last. The further estimated expenditure of £15,000 is provided for by the capital powers of the company. The gross receipts of the line, less Government duty, amounted to £16,315, and the working expenses to £8,937, being at the rate of 54·78 of the receipts. The difference between these two amounts is not sufficient, by the sum of £1,567, to pay a dividend at the rate of 3 per cent. per annum on the company's

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ordinary and borrowed capital, and the working company has, therefore, under the agreement of March, 1894, made up the deficiency, and have deducted, in respect of working expenses, the sum of £7,370. The number of passengers carried during the past six months, exclusive of season ticket-holders, was 2,134,062, showing an increase of 265,325 over the number carried in the corresponding period of 1900. The season-ticket holders on June 30 last numbered 1,057, as against 911 at the end of June, 1900.

At the meeting of the company the chairman said that, although the revenue and expenditure accounts showed results which were by no means unexpected, they were none the less to be regretted. Several circumstances had occurred during the past half-year which were detrimental to the revenue. In the first place, it included one more Sunday and one less working day than in the corresponding period, and the difference arising out of that alone was about £10,000. Then Easter fell unusually early this year, and the weather being inclement, it was calculated that the Easter traffic receipts were about £10,000 below the average. The Ascot traffic was also about £4,000 less, owing to well-known reasons. The coal traffic, on account of the high prices ruling, had decreased by 74,000 tons, being a loss in money of £7,000. In all, a difference of no less than £31,000 had been brought about, which, under more favourable circumstances, they might reasonably have expected to receive. There was no doubt that the royal mourning, the continuance of the war, and the necessary increase of taxation, were all causes which had tended to retard the progress of travel on a system such as theirs, which so largely depended on pleasure traffic. Those exceptional circumstances would undoubtedly cease in due course, and they would again see their old revenue figures. It was satisfactory to know that there was an increase in the amount received from every class of passengers. The first-class had increased by £1,250, the second-class by £10,021, and the third by £8,685, making a total of £19,956. First-class passengers showed an increase in numbers of 5,754, the second-class of 15,836, and the third-class a decrease of 293,621. The latter decrease, he explained, arose from two causes. In the first place, during the corresponding period of

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last year they conveyed a larger number of troops, and, in the second place, during the past half-year they had experienced the effect of the competition of the tramway services to Hammersmith, Kew and Isleworth district, as well as that of the Central London Railway.

The effect of the latter had been that they were deprived of some 470,000 passengers and of about £1,500 of revenue. Season tickets showed an increase of £2,864, and in numbers 458. In parcels and mails there was a relatively small increase of £280, but it must be remembered that in the corresponding period of last year there was an exceptional increase of £12,500. The total increase in coaching traffic amounted to £23,100, and in goods and minerals to £2,916. The goods traffic was more to the extent of £8,290, and no doubt the increase would have been larger but for the considerable decrease in Government stores carried, and the fact that the American Line from Southampton had not been running a full service. Live stock was a fluctuating item, and had decreased by £1,020. During the period under review they had not had so much traffic as usual from the various fairs on their system, and they had also carried a considerably less number of horses for the War Department. Minerals had decreased by £4,347. The coal receipts, as stated, were less by £7,000, but there was a substantial increase in the general traffic, which was largely in building materials. The substantial increase in the Waterloo and City Railway of £2,223 was satisfactory. Steamboats showed an increase of £3,190, and the docks a decrease of £352. It must be remembered that in the corresponding period there was an increase of £27,000 in the docks, largely owing to use made of them for Government transports. The total increase in the revenue of £31,726 was not altogether unsatisfactory.

Turning to the expenditure, the chairman pointed out that, on the last occasion, he said: 'But we have frankly to face the fact that the full incidence of these increased charges will, I am sorry to say, be felt during the current half-year.' Maintenance of way and works showed a decrease of £4,231, chiefly on account of the fact that in the corresponding period a large portion of the expense of relining the Honiton tunnel was incurred. The last contract arranged for steel rails was fairly

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satisfactory, showing a substantial reduction in the prices recently paid, and, moreover, had been placed in this country. The great increase had occurred in locomotive power—an increase of £58,043. He was glad to be able to say that a new contract was entered into on April 1, by which a certain reduction in the price of coal was secured. The contract was for six months, and expired on September 30, when the Board hoped to be able to get a still further reduction; indeed, they looked to a better result altogether in that department in the near future. In repairs and renewals of carriages and waggons there was, fortunately, only a small increase of £700. Traffic expenses had increased by £8,811, of which £6,373 was for salaries and wages, and it seemed almost impossible to prevent a gradual increase in this direction. The Board had constant applications for increased wages and shorter hours of labour. For stores, £4,155 additional had been expended, £2,258 representing increased cost of coal, and £2,331 gas. Rent of leased lines gave an increase of £3,468. Dealing with the revenue account, the chairman pointed out that law charges were more by £1,000, Parliamentary expenses by £2,275, and compensation for passengers £2,070, mainly caused by two slight collisions which occurred, one at Hampton Court and the other at Twickenham. An increase of £4,328 had taken place in goods compensation.

Rates and taxes accounted for the very serious increase of no less than £9,671. He could only repeat that he thought the incidence of rates and taxes in connection with railways was upon a very unfair basis. Notwithstanding the largely-increased rates on the Waterloo and City Railway, they had been able to save £467 in the working. The total railway expenses stood at £1,357,878, or an increase of £82,869 over the corresponding period. Steamboat working expenses were more by £4,793, while docks working expenses showed an increase of £5,003. The gross total amounted to £1,551,075, leaving £795,221 to be carried to the net revenue account. The first item of increase in that account was interest on debenture stock, which had gone up £3,558. The balance available for dividend was £549,057, showing a reduction of £61,455. The increased preference stock absorbed £14,175, and thus the Board were only able to recommend a dividend

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of $3\frac{1}{2}$ per cent. per annum on the ordinary stock, and to carry forward £18,375, practically the same figure as last year. The increased capital under the heads of debenture and preference stock had absorbed the sum of £17,734.

On capital account £579,527 had been expended, and the amount received during the half-year was £721,205. All the items shown were expenditure on lines open for traffic, and which amounted to £375,272, relating to widenings and improvements referred to at previous meetings. Paragraph 12 mentioned the enlargement of stations, and the most important of these were Clapham Junction, Basingstoke, and Salisbury. Mention was also made of the enlargement of Waterloo Station, and he hoped before they met again that the construction work would have been commenced. The company was not promoting any Bill in the present session of Parliament, as the powers which they possessed were, in the Board's opinion, sufficient for present necessities, but it had been necessary to oppose or watch several schemes. Everything during the past half-year had been done to reduce expenditure, and he thought that their position was more favourable than that of neighbouring companies.

Judging from the chairman's speech, the prospects of the company cannot be considered other than uncertain, despite the advantages to be derived from the lower prices for coal. The company has suffered a great deal from the competition of the electric railways, and instead of being able to look to relief from this, it must inevitably suffer more in the future. It is likewise impossible, according to the chairman, to expect any reduction in wages; on the contrary, a gradual increase is the most probable. No indications are given as to where we may look for economy in the future except under the heading of fuel, and that in itself will not be able to restore the company to its old prosperity.

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It was suggested at the meeting that the company should follow the example of the Great Eastern and experiment with larger trucks, but the directors cannot see their way to economize in this direction—not until circumstances compel them. The chairman's excuse was that the Great Eastern had a different kind of traffic to deal with. It had an enormous coal traffic from the North, whereas the London and South-Western had not a coal-pit on its system. So the company will continue to deal with its traffic on the conservative and primitive lines with which the directors have hitherto been content, until it drifts from worse to worse, and until it may be too late to make any reforms whatever.

CHAPTER XX

THE LONDON AND BRIGHTON

THIS company has always been a favourite with the railway investor, and there is probably more speculation in 'Berthas,' as the deferred shares are called, than in any other deferred shares in the railway list. For one thing, this company has always been well managed, and we have less need to complain of lavish capital expenditure than in the case of the majority of the other railway companies. This company is mainly dependent upon passenger traffic, and yet from that alone it has always enjoyed a large measure of success. That this traffic will expand in the future there cannot be the slightest doubt. All the suburban districts which the line feeds are becoming more and more populated, and this will bring accumulating traffic to the railway, and in order to cope with it money is being spent on the enlargement of Victoria Station. This expenditure necessarily comes out of capital, simply because it will bring additional business, and thus be remunerative. But in the past years this company has provided out of

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revenue moneys for renewals, improvements, etc., and has been content to pay the small dividends which it has legitimately earned, and it is now reaping the benefits of that policy. If we make a comparison of the prospective values of the ordinary shares of this and the other leading railways, it must be admitted that those of the Brighton and South Coast are as attractive, if not more attractive, than those of many of the others, whilst its prior securities are some of the soundest of railway securities. Like all the other railways, it has suffered very severely during the past half-year from exceptional circumstances, but it promises to get over its difficulties with more ease, whilst its prospects look to be more promising. It is raising additional capital, as I have said, for the necessary enlargement of Victoria Station, and just before the report was issued it was the opinion of the market that it would be raised by the issue of ordinary stock. Instead of this, however, the directors announced that they would issue £600,000 5 per cent. second preference stock, to rank alongside the present stock of that denomination, whilst the remainder of the capital of the company is made up as follows: £3,183,840 undivided ordinary stock, and £2,756,880 preferred and £2,756,880 deferred stock. The dividend is declared on the entire stock as if undivided, and on the amount accruing to the divided portion the preferred ranks for 6 per cent. per annum before the deferred takes anything, arrears in the first half of the year to be made good in the second half. The undivided

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ordinary may be split into preferred and deferred within the first half of any year. Then there are : £1,955,860 consolidated guaranteed 5 per cent. stock, non-contingent ; £6,190,315 consolidated preference 5 per cent. stock, dependent on the revenue of each separate year ; £2,282,000 second consolidated preference stock, bearing 5 per cent. interest, dependent on the revenue of each separate year ; and £6,156,509 debenture stock, of which £4,850,270 bears $4\frac{1}{2}$ per cent. interest and the balance 4 per cent.

The present issue of £2,282,000 preference stock may be increased to £4,000,000 under the terms by which it was created in 1879, and the new stock is to carry dividend from July 1 last. This will give the company £840,000, and it will also enable it to dispose of £200,000 $4\frac{1}{2}$ per cent. debenture stock, and it is calculated that this will carry the company on for another two or three years without issuing further capital. This is the company's first issue of preference stock since 1879, though since then its ordinary capital has been increased by $2\frac{1}{2}$ millions. From the directors' report, it will be seen that the additional cost of coal accounted for the whole of the diminution of dividend which the directors recommended, whilst the increase in the same item during the whole of the twelve months made a difference of £1 2s. 6d. in the dividends for that period. Therefore, even should coal be reduced by half, it will not alone be sufficient to restore the dividend to the figure of the recent past, especially after providing for the

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dividend on the new preference stock, so that there will have to be an appreciable increase in the traffic and economy rigidly practised in order to keep up the dividends at the level of recent years. For the twenty weeks ending November 17 there are increases both in the passenger and goods traffic, amounting in the aggregate to over £16,000, which is satisfactory, especially when we compare it with the declining traffic of the other railways. The deferred shares, too, despite the depression in the market, have been very active during recent weeks; in fact, they have been the only active shares in the railway list. The bulls have been having it all their own way, and the bears have found all their efforts to depreciate the price unsuccessful. Looking, therefore, at the prospects as a whole, there is no reason for stock-holders to be unduly despondent.

Table I. gives the highest and lowest prices and the dividends paid on the undivided ordinary stock, with the balances carried forward each half-year, since 1886.

Table II. deals with the deferred ordinary or Brighton 'A' in the same manner.

The following is the report of the directors for the past six months :

The expenditure on capital account during the half-year has amounted to £702,616. In addition to other items of expenditure, the claims in respect of the enlargement of Victoria Station have been dealt with more rapidly than was anticipated. Although this is satisfactory, as it enables the engineer the sooner to take possession of the site and begin the actual works, the directors have had to consider the question of raising additional funds earlier than they ex-

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TABLE I.

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
			£		£	
1886 . .	133	115 $\frac{1}{4}$	2 $\frac{1}{4}$	2,152	8	5,515
1887 . .	137	125	3	1,597	8	6,348
1888 . .	145	135	3	5,336	8 $\frac{1}{4}$	11,076
1889 . .	162 $\frac{1}{2}$	144	4 $\frac{1}{4}$	8,264	9	8,177
1890 . .	166 $\frac{1}{2}$	154	4 $\frac{1}{4}$	18,155	10 $\frac{3}{4}$	9,717
1891 . .	165 $\frac{1}{2}$	150 $\frac{1}{2}$	3 $\frac{1}{4}$	23,591	9 $\frac{3}{4}$	9,696
1892 . .	170 $\frac{1}{2}$	157	3 $\frac{3}{4}$	13,290	9 $\frac{1}{4}$	22,646
1893 . .	196 $\frac{1}{4}$	158 $\frac{1}{2}$	4 $\frac{1}{4}$	42,539	7 $\frac{1}{2}$	13,116
1894 . .	173 $\frac{1}{2}$	163	4 $\frac{1}{4}$	8,301	7 $\frac{3}{4}$	7,312
1895 . .	178	169	3 $\frac{3}{4}$	5,854	8 $\frac{1}{4}$	20,397
1896 . .	197	174	4 $\frac{3}{4}$	23,264	8	22,283
1897 . .	197	187	4 $\frac{3}{4}$	16,376	8 $\frac{1}{4}$	26,243
1898 . .	191 $\frac{1}{2}$	182 $\frac{3}{4}$	4 $\frac{1}{2}$	11,923	8 $\frac{1}{4}$	24,314
1899 . .	192	182 $\frac{1}{4}$	4 $\frac{3}{4}$	9,429	7 $\frac{3}{4}$	21,835
1900 . .	183 $\frac{1}{2}$	144	3 $\frac{1}{4}$	6,861	7	29,372
1901 . .	156	133	2 $\frac{1}{2}$	8,325	...	...

TABLE II.

Year.	Highest.	Lowest.	Dividend for Year.
1885 . .	104 $\frac{7}{8}$	79	2 $\frac{3}{4}$
1886 . .	119 $\frac{3}{4}$	93 $\frac{3}{8}$	4 $\frac{1}{4}$
1887 . .	122 $\frac{3}{4}$	106 $\frac{5}{8}$	5
1888 . .	133 $\frac{3}{4}$	111 $\frac{7}{8}$	5 $\frac{1}{4}$
1889 . .	164 $\frac{1}{2}$	132 $\frac{3}{8}$	8 $\frac{1}{4}$
1890 . .	169 $\frac{3}{4}$	149 $\frac{1}{2}$	8
1891 . .	163 $\frac{7}{8}$	137 $\frac{5}{8}$	7
1892 . .	163 $\frac{3}{4}$	146	7
1893 . .	159 $\frac{5}{8}$	142	5 $\frac{3}{4}$
1894 . .	161	147 $\frac{3}{4}$	6
1895 . .	166 $\frac{3}{4}$	152 $\frac{5}{8}$	6
1896 . .	186	161 $\frac{1}{4}$	6 $\frac{3}{4}$
1897 . .	186	170 $\frac{1}{2}$	7
1898 . .	186 $\frac{1}{4}$	172 $\frac{1}{2}$	6 $\frac{3}{4}$
1899 . .	185 $\frac{3}{8}$	176 $\frac{1}{8}$	6 $\frac{1}{2}$
1900 . .	180 $\frac{1}{4}$	124 $\frac{1}{2}$	4 $\frac{1}{4}$
1901 . .	140 $\frac{1}{2}$	118 $\frac{1}{4}$...

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pected. The directors have very carefully considered how this additional capital should be raised, and having regard to the financial conditions at present prevailing, they have come to the conclusion that the most advantageous method will be by an issue of preference stock. They therefore recommend that £600,000 (part of the £1,000,000 share capital sanctioned by the company's Act of 1899) should be issued as second consolidated 5 per cent. preference stock, and allotted *pro rata* to the shareholders of ordinary stock and of contingent rights certificates at the price of £140 per cent., payable in two instalments of £85 per £100 stock on August 15, and the balance, £55, on September 30, dividend accruing from the 1st instant. Good progress is being made with all the works in hand. A contract for the widening of the line from Streatham to Croydon has been let to Messrs. Mowlem and Co., who have commenced operations. The scheme for rehousing the persons who will be displaced by the enlargement of the goods-yard at Brighton has now been sanctioned by the Local Government Board, and tenders have been invited for the erection of the new dwellings to be provided. The purchase of the property required for the enlargement has also been commenced. Delivery of the additional express passenger engines, of the company's 'Express' type, which were ordered at the end of last year, has commenced, and it is anticipated that the number received during the current half-year will afford material assistance in dealing with the season's traffic. The company's Bill, which was submitted to the proprietors at the Wharnccliffe meeting in January last, has passed the Committee stages of both Houses of Parliament, and now only awaits royal assent. The directors, however, regret that the powers sought for the land near Lewes, for the erection of the proposed new carriage and waggon shops, were successfully opposed by land-owners. Alternative sites are now being considered. The subjoined statement gives the revenue receipts and expenses for this and the last preceding half-years, and for the half-year ending June 30, 1900 :

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						+ Increase or - Decrease.
Miles open	487	...	-
Miles run by passenger trains	4,141,902	...	- 47,491
Miles run by goods trains	...	...	...	980,974	...	- 24,442
Total miles run by trains	...	...	...	5,122,876	...	- 71,933
				£		£
Gross revenue	...	...	...	1,465,290	...	+ 48,145
Maintenance of way, etc.	...	...	...	156,790	...	+ 6,986
Locomotive power	...	...	...	304,647	...	+ 49,460
Carriage and waggon department	...	...	...	76,973	...	+ 3,312
Traffic charges	...	...	...	250,162	...	+ 6,897
General charges	...	...	...	30,397	...	+ 44
Law and Parliamentary charges	...	...	...	3,865	...	- 944
Compensation	...	...	...	14,688	...	+ 3,459
Rates and taxes	...	...	...	83,638	...	+ 1,283
Government duty	...	...	...	14,950	...	+ 1,216
Mileage and demurrage of rolling-stock and tolls, etc.	...	...	...	17,901	...	- 1,148
				954,011	...	+ 70,565

A comparison of the figures of this half-year with those of the corresponding half-year of 1900 shows an increase in gross revenue of £48,145, and in working expenses of £70,565. Interest on fixed charges has also increased by the sum of £16,269. The increase in gross revenue, amounting to £48,145 (of which £43,000 arises from passenger traffic), is certainly a most encouraging feature, looking at the fact that it has been earned during a half-year in which many adverse conditions have prevailed. Of the £70,565 increase in expenses, no less an amount than £37,000 is attributable to the greater cost of coal used in locomotives alone as compared with the first half of 1900. This one item therefore accounts for the whole diminution in dividend which the directors are compelled to recommend; and the increase in the same item,

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amounting to over £90,000 during the past twelve months (June, 1900, to June, 1901), has made a difference of about £1 2s. 6d. per cent. in the dividends for that period. The directors, however, are glad to be able to say that the coal contracts now current have been made on much more favourable terms. The accounts for the half-year show a balance of revenue over expenditure of £511,280, and the balance from last half-year was £29,373, making together £540,653, of which the payment of interest on debenture stock, etc., requires £148,759, and on guaranteed and preference stocks £274,849, leaving a balance of £117,045. This enables the directors to recommend a dividend for the half year of £1 5s. per cent. on the undivided ordinary stock, and of £2 10s. per cent. on the preferred ordinary stock, amounting together to £108,720, leaving a balance of £8,325 to be carried forward.

The chairman, in moving the adoption of the report and accounts, first referred to the sad event which placed the nation in mourning, to the war in South Africa, and to trade prospects having shown a declining tendency. Proceeding, he said that under these discouraging conditions they might reasonably have anticipated that the traffic receipts of the railway would have shown either a stationary tendency or even a decline, and it certainly spoke volumes in favour of the vitality of their traffic that in a half-year in which so many circumstances seemed adverse, they should be able to show an increase of no less than £48,145. It was well to bear in mind also that the increase was mainly in that staple product of their railway—passenger traffic—and it was most gratifying to witness the development that was going on, not only in the suburban area, but also further afield. Dealing with the main line and coast traffic, he said they were often being asked to give a better train service up in the morning and down in the evening, to and from places on the coast and elsewhere which possessed great capabilities for development. They would gladly respond to these applications if it were possible to do so under existing conditions at Victoria Station, for they knew that the traffic would be remunerative, but they were compelled to reply that, until Victoria Station was enlarged, it was impossible to accommodate more morning and evening

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trains at that station during the hours suggested. He wished to emphasize his strong feeling that, although the capital expenditure they were now incurring in enlarging Victoria Station and widening their lines had unfortunately come at an inconvenient time, when the cost of coal and materials had run up working expenses to an abnormal percentage, and the proprietors therefore had to bear at one and the same time not only the increased working charges, but also interest on capital which was at present, and must for some time remain, unproductive, every shilling of that capital was being well spent, and would in due course bring in a good return. In common with other railway companies, who had had to face a heavy capital outlay in order to provide for the traffic which it is their duty properly to accommodate, they might have to make some present, but he believed only temporary, sacrifices. He felt assured, however, that the course they were taking in pushing on the works at Victoria and elsewhere was the right one, and that they would not in the long-run regret the expenditure. It would be judged from these remarks that he held no pessimistic views of the future of their property, but that, on the contrary, he believed the traffic on the line must and would continue to advance, and that, notwithstanding their heavy capital commitment, they would reasonably hold their own until the period when their new works would begin to bring in a fair return.

Taking the gross revenue, it would be seen that the increase of £48,145 already mentioned was almost entirely due to coaching traffic, upon which the gain was £43,011, and of that sum no less than £22,779 was attributable to better receipts from the second-class traffic, whilst satisfactory advances of £7,739 in the first-class and of £5,678 in season tickets were shown, and the third-class traffic receipts were better by £2,165. The number of passengers carried (exclusive of season-ticket holders) had increased by 724,480, made up of 61,225 in the first-class, 361,333 in the second-class, and 301,922 in the third-class, and the feature of these figures was undoubtedly the greater use of the second-class, as indicated by the rise both in numbers and receipts. The earnings were fairly distributed over the line, but the largest gain was made in the long-distance traffic. In spite of the unpropitious

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weather during the early part of this year and the Court mourning, which unquestionably must have affected the 'season' traffic to Brighton, they still show a satisfactory increase in the takings between London and Brighton. Similarly, towns which were not so fully developed, such as Bexhill, Seaford, Worthing, Littlehampton, and Bognor, showed very considerable increases in the earnings over last year, and in some cases rapid progress. Their Eastbourne traffic had also been very good. The receipts from the general goods traffic, comprising merchandise and live stock, showed an increase of £10,018, but there had been a falling-off in mineral traffic and the receipts from wharves, amounting together to £12,627, mainly due, no doubt, to restricted transport of coal, consequent upon the high prices, so that there had been a loss on the whole goods traffic of £2,609. The main items of expense—namely, salaries and wages, materials and stores, and coal used in engine running—had advanced £10,068, £18,431, and £36,939 respectively, while savings had been effected in the charge for demurrage and mileage of rolling-stock and in the amount payable to the South-Eastern Company in respect of the London and Redhill lines. The reduction in these last two items was especially satisfactory, because the first showed that the traffic was being worked more efficiently, and the second brought out forcibly the utility of the new Earlswood and Coulsdon line. The total increase in expenses was £70,565, and more than half of that increase was due to the high price paid for coal. The tonnage consumed had varied to a comparatively insignificant extent, and the statement in the report that had it not been for this addition to the expenses the dividend of last year would have been maintained was incontrovertible. The accounts for the half-year ending December last and for the past half-year (June to June) showed that they had had to pay upwards of £90,000 more for coal during that period. This meant a reduction of £1 2s. 6d. in the dividend for the year. They obtained somewhat more favourable conditions in the price of coal during the past half-year, and were now working under contracts distinctly more favourable than those current during the second half of last year. They had saved 71,933 train miles, which was satisfactory, in view of the larger number of passengers carried.

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With regard to their prospects for the current half-year, although they must expect a diminution in receipts from Continental traffic, as they would be comparing with the period of the Paris Exhibition last year, they had an encouraging feature in the growth of their ordinary traffic, and might look for a substantial reduction in the coal-bill.

Coming to the question of the capital expenditure of the past half-year, and the directors' proposals for the raising of the capital required in the immediate future, his lordship pointed out that a considerable proportion of the money expended had been in respect of the acquisition of the properties required for the enlargement of Victoria Station. Their solicitor had been able to make much greater progress in acquiring these properties than the Board at one time thought possible, which explained the reason why they felt compelled to come for additional capital now, instead of waiting till next January, when the last instalment on the ordinary stock issued in January, 1900, would be payable. They had now bought the freehold of the whole area required for the new station, and had been able to make such progress in dealing with the numerous leasehold interests that their engineer saw his way to begin the work of clearing the site in the autumn. They had had many difficulties to contend with in regard to Victoria. Though in this particular work they had been spared the inevitable delay and the heavy cost involved in rehousing displaced working-class population, for none existed, they had, unfortunately, had to buy out a number of trading firms, some of very considerable magnitude, who for many years had held long leases of their premises, with all the attendant advantages afforded by the Grosvenor Canal, which, in a place like London, was a very valuable adjunct to trading premises. Their able surveyor, Sir John Whittaker Ellis, had succeeded in every case dealt with in arriving at terms which he had been able to recommend to the Board as reasonable, and the heavy expense of litigation, in which the company nearly always had to pay the costs on both sides, had thus been avoided; and the compensation payable, taken in the aggregate, would certainly be under the Parliamentary estimate. They had, of course, paid away a very large sum for land and property taken for the purpose of this work, but

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they had still a considerable amount to disburse during the current half-year, whilst in addition they would shortly have to face the expenditure for the house property required for the enlargement of the Brighton goods-yard, for which, since the approval by the Local Government Board of the rehousing scheme was given, they had served notices to treat. Their debit to capital account amounted, on June 30, to £1,165,486, but about £775,000 was represented by the insurance, pension, and other like funds, which, although a liability in the balance-sheet of the company, had a constant tendency to increase in amount. But, putting this aside, it was clear that they could not prudently allow this large debit to go on accumulating for another six months, and that, in spite of somewhat unfavourable market conditions, it was their duty to propose at once the raising of the further capital necessary to wipe it out. They therefore made the recommendation for the issue of preference capital contained in the report. A careful estimate showed that the proceeds of this issue, added to the last remaining instalment on the ordinary stock issued in January, 1900, and the debenture powers that would be available next year, should suffice for all their capital requirements up to the commencement of the year 1903.

The general result of the half-year's working was that the directors could recommend a dividend for the half-year on the undivided ordinary stock of £1 5s., which permitted of the payment of £2 10s. on the preferred ordinary, and left £8,325 to be carried forward. The closing days of January and the first few days of February were anxious times. They had the great responsibility of organizing the traffic between London and Portsmouth at, in many instances, a few minutes' notice. They were naturally most desirous that there should not be the slightest hitch, and he was glad to think they were able to carry out these responsible duties, culminating with the solemn cortège of February 2, when they conveyed their late Queen's remains from Portsmouth to London in a thoroughly efficient manner. The King, with that consideration which ever distinguished his acts, had been good enough to recognise the labours and responsibilities of the staff in a marked manner. The Board had thought it desirable to make a slight addition to the first and second class fares between London and Paris

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by the day service. This service had been greatly improved. The new ships which had been built on this side—the *Arundel* and *Sussex*—and the fine fast steamers which had been placed on the service by their partners, the Western of France Company, were proving very attractive, and had added considerably to the popularity of the Newhaven and Dieppe route. Their partners had also enhanced the comfort of the journey between London and Paris by running a corridor train, with luncheon and dining car. These additional comforts had to be paid for, and they had therefore felt justified in making a slight increase in the fares, which they estimated would bring in £6,000 or £7,000 per annum. They had also, by arrangement with their friends, the South-Eastern and Chatham Companies—and he was glad to be able to take this opportunity of commenting upon the exceedingly harmonious relations they now had with these companies—made a slight increase in the day excursion fares over their respective systems. This revision had been somewhat criticised in interested quarters, but he thought they were quite justified in taking such a step, in view of the increase in their working expenses, and they were of opinion that it would certainly bring additional revenue to the company. Having referred in some detail to what had been done in the way of making additions to the locomotive and carriage stock, the chairman said it was with the greatest satisfaction that the directors had seen the improvement in the punctuality of the trains during the past half-year. Not only had their general manager, Mr. Forbes, before him every day a return of the train-working of the previous day, but the Board had before them every week a full summary of the train-working of the previous week, and the strictest investigation was made into all cases where trains were behind time, and every possible step was taken to remove any defects in the system which seemed to be responsible for unpunctuality. He had, however, pointed out on several occasions that the congested state of Victoria Station was one of the main causes of delay to their trains, and this they were about to remedy by the works in hand.

CHAPTER XXI

THE SOUTH-EASTERN AND CHATHAM

THESE two companies, which have now been amalgamated, with the object of trying to retrieve the fortunes of both, offer a striking contrast to their neighbour, the London, Brighton, and South Coast. The past policy of these companies has been sadly lacking in enlightenment and foresight, and for years they carried on an insane competition, which did them far more harm than good, and in the end they have had to shake hands and make their peace. But this friendliness, admirable as it may be from the point of view of sentiment, has brought no change for the better in their fortunes, the results of the past year being truly deplorable. For the first time in its history the South-Eastern has earned nothing upon its preferred ordinary stock, thus threatening the degradation of the prior stocks from their positions as trustee stocks. Moreover, to enable the dividends to be paid on the preference stocks the sum of £14,426 had to be taken from the steam-packet depreciation and renewal fund, so that the position of the company

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is precarious enough to cause the shareholders the gravest anxiety. To make matters worse, the immediate prospects of the company are as gloomy as they can possibly be, and the chairman actually trusts he is taking a not over-sanguine view when he hopes the directors will be able to propose a dividend at the next half-yearly meeting without any *undue* encroachment on the reserves, and thus be in a position to keep the preference stocks as investment stocks. Truly a most weakly hope, and, unfortunately, justified by the outlook.

Whilst there was a beggarly improvement in the gross receipts, the working expenses showed a considerable advance, from 66·34 per cent. to 72·93 per cent. ; but, on the other hand, the strange thing has happened of a reduction in rates and taxes during the half-year, so that there is something, after all, upon which the shareholders can be congratulated. Apart from the marked aggregate decline in the traffic returns during the current six months, the company will be burdened with further capital expenditure. The sum of £666,000 in debenture stock is to be raised in order to meet the advances from bankers, and sanction has been given to issue another million sterling of ordinary stock. The chairman said that the money will not be required immediately, but it will be wanted in the near future, so that all this will tell upon the future fortunes of the company. Therefore, but little consolation is to be derived from the promise that economy will be practised in every department, for it is difficult to see how that economy can be

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drastic and great enough to make any appreciable difference in the company's financial position.

The capital of the South-Eastern Railway Company is made up as follows: £2,686,170 undivided ordinary stock; £5,678,430 preferred and an equal amount of deferred stock, the preferred ranking first for 6 per cent. per annum, and the deferred taking all after that payment (the preferred dividend is based upon the profits of the entire year, and the deferred dividend is therefore declared once a year; the option of splitting is confined to the first half of the year); £984,300 consolidated guaranteed $4\frac{1}{2}$ per cent. stock, non-contingent; £2,172,580 consolidated $4\frac{1}{2}$ per cent. preference stock, contingent; £2,640,820 consolidated 5 per cent. preference stock, contingent; £719,175 vested companies 4 per cent. stock; £299,000 preference stock, 1891, 4 per cent.; £994,000 preference stock, 1893, $3\frac{1}{2}$ per cent.; £2,440,000 preference stock, 3 per cent.; £1,456,085 perpetual debenture stock, bearing 4 per cent. interest; £4,342,440 5 per cent. debentures; and £949,480 3 per cent. debenture stock.

The capital of the London, Chatham and Dover Company is made up as follows: £11,259,282 Arbitration ordinary stock; £6,686,184 Arbitration preference stock, bearing $4\frac{1}{2}$ per cent. out of the profits of the year ending June 30; £869,532 second preference stock, $4\frac{1}{2}$ per cent., contingent; £220,000 Shortlands preference stock, $4\frac{1}{2}$ per cent., contingent; £126,870 Sheerness $4\frac{1}{2}$ per cent., rent-charge stock, which may be exchanged, on the request

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of holders, into $4\frac{1}{2}$ per cent. Arbitration debenture stock ; £8,217,701 debenture stock, of which £5,521,975 is $4\frac{1}{2}$ per cent. Arbitration stock, £969,674 is $4\frac{1}{2}$ per cent. 'B' stock, £370,711 is 4 per cent. stock, £850,641 is 4 per cent. (1883) stock, and £504,700 is 3 per cent. stock, ranking after the foregoing debenture stocks.

I need hardly say anything about the past of the London, Chatham and Dover, as it is far too well known to need recapitulation. It has been a struggling concern ever since it started on its inglorious career, and it looks as if it will keep on struggling and existing in an impoverished condition to the end of its days. The company has always had a too heavy burden to bear in over-capitalization, and though proposals have been made from time to time for reducing the ordinary stock to its real market value, nothing has come of them, though many things are more unlikely than that we shall see the proposals renewed in the future. A considerable portion of the capital is nothing more solid than water, and in this element it has been sinking and sinking until its struggles are likely to end in complete exhaustion and engulfment. The assistance it is likely to receive from that other struggling party, the South-Eastern, does not promise to save it from final extinction, and it seems more probable that both may perish together. Instead of lightening themselves of their burdens, in order the better to buoy them up, they are simply weighting themselves with heavier and heavier loads, and it is not difficult to foresee the

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consequences of such insanity as this. During the past six months this company over-expended its capital by the sum of £915,000, and in order to finance this it has a temporary loan of £300,000, Lloyd's bonds, £207,774, whilst £307,694 was due to the South-Eastern Company. By the arrangement between the companies the capital expenditure has to be found in fixed proportions of 59 per cent. by the South-Eastern and 41 per cent. by the Chatham, and it is laid down that if either fails to find its proportion the other may supply the deficiency, receiving 3 per cent. interest thereon. But this rate is being amended by a Bill before Parliament, which fixes the rate at whatever it costs either company to raise it. The accounts of the two companies are regulated by a managing committee.

Table A gives the highest and lowest prices and dividends paid on the South-Eastern undivided ordinary, with the balances carried forward each half-year since 1885.

Table B gives the dividends paid on the deferred shares each year since 1885, with their highest and lowest prices.

The debenture capital of the company was increased from £5,030,570 in 1881 to £7,196,941 at the end of 1900, its preferential capital from £6,896,319 to £11,802,828, and its ordinary capital from £8,907,883 to £10,043,089, whilst, during the same period, its gross receipts advanced from £2,138,635 to £4,461,172. Up to November 24 the passenger traffic of the combined railways shows a decrease of £31,000, and the goods

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TABLE A.

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1885 . .	123	110	3	1,482	6 $\frac{1}{4}$	8,429
1886 . .	130 $\frac{1}{2}$	117	3 $\frac{1}{4}$	3,960	7 $\frac{1}{4}$	6,818
1887 . .	132	124	3 $\frac{1}{4}$	7,277	7	5,345
1888 . .	134 $\frac{1}{2}$	124 $\frac{1}{4}$	3	2,872	6 $\frac{1}{4}$	10,569
1889 . .	138 $\frac{1}{2}$	130 $\frac{1}{2}$	3	12,461	6 $\frac{1}{4}$	15,027
1890 . .	134	125	3 $\frac{1}{4}$	6,032	6 $\frac{1}{4}$	6,810
1891 . .	128	115	2 $\frac{1}{4}$	2,020	6	1,029
1892 . .	121 $\frac{3}{4}$	107 $\frac{1}{2}$	1 $\frac{3}{4}$	1,340	6 $\frac{1}{4}$	1,051
1893 . .	126	111	2 $\frac{1}{4}$	8,586	5 $\frac{1}{4}$	1,374
1894 . .	131 $\frac{3}{4}$	113	2 $\frac{1}{4}$	6,336	5 $\frac{1}{4}$	5,847
1895 . .	139 $\frac{1}{2}$	131	2 $\frac{1}{4}$	1,850	6	4,681
1896 . .	153	135 $\frac{1}{4}$	3	8,859	6 $\frac{3}{8}$	5,520
1897 . .	158 $\frac{3}{4}$	151 $\frac{1}{2}$	3 $\frac{1}{4}$	4,526	6 $\frac{5}{8}$	4,054
1898 . .	157	147	2 $\frac{1}{2}$	5,034	6 $\frac{1}{2}$	13,976
1899 . .	154	137 $\frac{1}{2}$	2 $\frac{3}{8}$	1,088	5 $\frac{3}{8}$	1,627
1900 . .	139 $\frac{1}{2}$	98	1 $\frac{3}{8}$	5,285	4 $\frac{3}{8}$	3,727
1901 . .	112	85	...	...	...	...

TABLE B.

Year.	Highest.	Lowest.	Dividend.
1885 . .	101 $\frac{1}{2}$	77 $\frac{3}{8}$	3 $\frac{1}{4}$
1886 . .	114	92 $\frac{3}{8}$	4 $\frac{1}{2}$
1887 . .	113 $\frac{3}{8}$	97 $\frac{1}{2}$	4 $\frac{1}{4}$
1888 . .	114 $\frac{3}{4}$	98	3 $\frac{1}{4}$
1889 . .	117	104 $\frac{3}{4}$	3 $\frac{3}{4}$
1890 . .	107 $\frac{5}{8}$	95 $\frac{1}{8}$	3 $\frac{1}{2}$
1891 . .	97 $\frac{1}{4}$	79 $\frac{7}{8}$	2 $\frac{1}{4}$
1892 . .	90 $\frac{1}{8}$	69 $\frac{1}{2}$	2
1893 . .	89	68 $\frac{3}{8}$	2 $\frac{1}{2}$
1894 . .	91 $\frac{1}{4}$	65 $\frac{3}{4}$	2
1895 . .	95 $\frac{1}{4}$	83 $\frac{3}{4}$	2 $\frac{1}{4}$
1896 . .	107	83 $\frac{1}{8}$	3 $\frac{3}{8}$
1897 . .	119 $\frac{7}{8}$	105 $\frac{1}{4}$	3 $\frac{7}{8}$
1898 . .	117 $\frac{1}{8}$	101	3
1899 . .	114 $\frac{3}{8}$	99	1 $\frac{7}{8}$
1900 . .	103 $\frac{1}{4}$	66 $\frac{1}{4}$	nil
1901 . .	71	51 $\frac{3}{8}$...

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traffic an increase of £11,000, showing a decline of no less than £20,000, so that the chairman's gloomy forecast is likely to come true.

No dividend has yet been paid on the ordinary shares of the Chatham, and we shall probably see the millennium before one is paid. Since 1896 the Arbitration $4\frac{1}{2}$ first preference received its full dividend up to the end of 1900—that is to say, up to June of that year, for the Chatham, unlike the other railways, ends its year in June instead of in December. For the past twelve months the dividend has been only £2 19s. 6d., whilst the magnificent sum of £12 is carried forward for the past six months, as against £185 in the corresponding period of last year. The second preference stock received its first dividend in August, 1897, of £1 5s. per cent. for the year. In August of the following year £2 15s. per cent. was paid; and in August, 1899, the full $4\frac{1}{2}$ per cent. was paid, leaving £1,915 to be carried forward. Since then it has been left out in the cold, and no man can predict when it will be brought into the warmth again.

Table I. gives the highest and lowest prices of the ordinary shares since 1885.

The debenture capital of the company increased from £6,706,207 in 1881 to £8,428,401 at the end of 1900, its preferential capital from £5,629,789 to £7,902,242, and its ordinary from £11,121,551 to £11,259,282.

The following are the half-yearly reports, the first being that of the managing committee, and the others the reports of the separate companies :

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TABLE I.

Year.	Highest.	Lowest.
1885 . .	20 $\frac{3}{4}$	13 $\frac{1}{4}$
1886 . .	26 $\frac{3}{4}$	18 $\frac{1}{4}$
1887 . .	25 $\frac{1}{8}$	19 $\frac{3}{4}$
1888 . .	25	19 $\frac{3}{4}$
1889 . .	29 $\frac{1}{8}$	22 $\frac{3}{8}$
1890 . .	26 $\frac{1}{2}$	18 $\frac{5}{8}$
1891 . .	20 $\frac{3}{8}$	15 $\frac{5}{8}$
1892 . .	20	16 $\frac{3}{8}$
1893 . .	18	12 $\frac{3}{4}$
1894 . .	18 $\frac{1}{8}$	12 $\frac{3}{8}$
1895 . .	21 $\frac{1}{2}$	14 $\frac{1}{2}$
1896 . .	21 $\frac{1}{16}$	14 $\frac{3}{4}$
1897 . .	22 $\frac{7}{16}$	18 $\frac{1}{4}$
1898 . .	24	18
1899 . .	28 $\frac{3}{4}$	21 $\frac{1}{8}$
1900 . .	25 $\frac{1}{2}$	16 $\frac{1}{16}$
1901 . .	19	15

The report of the South-Eastern and Chatham Railway Companies' managing committee for the half-year ended 30th ult., states that the gross receipts amount to £2,054,308, an increase of £23,300 as compared with the corresponding period of 1900. The expenditure has been £1,498,307, an increase of £150,962. The committee has again to report a large increase in working expenses. There is a satisfactory decrease in the amount of rates and taxes, but a general increase in wages and the price of materials. The extra cost of coal consumed by locomotives and steamboats accounts for £43,535; maintenance of way, £44,139; repair of locomotives, carriages, and waggons, £23,328; and there is an increase in general traffic expenses of £16,641. The committee has, during the past six months, sanctioned the renewal and strengthening, at the cost of revenue, of a greater length of permanent way than in previous half-years, and a larger expenditure on repairs of locomotives and carriages. This, added to the increased staff necessary for working the traffic, has already had beneficial results in the more punctual working of the trains.

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After providing for interest charges, the result is a balance to net revenue of £518,350, divisible between the two companies as follows: £305,827 to the South-Eastern Railway, and £212,523 to the London, Chatham and Dover Railway. This compares with £654,858 divisible in the corresponding period of 1900. The following is a comparative statement of receipts and expenditure of the committee on revenue account for the half-year :

RECEIPTS.

	1901. £	Increase. £
Passenger traffic, including mails, parcels, etc.	1,427,713	14,637
Merchandise traffic, including minerals and cattle	526,495	3,370
Harbours, canal and pier dues ..	3,668	133
Steamboats... ..	96,432	5,160
Gross receipts	2,054,308	23,300
Working expenses	1,498,307	150,962
Net receipts	556,001	Net dec. 127,662

EXPENDITURE.

	1901. £	+ Increase or - Decrease. £
Maintenance of way, etc. ...	215,469	+ 44,139
Locomotive power ...	423,843	+ 68,497
Carriage and waggon repairs ...	94,110	+ 18,005
Traffic expenses	422,512	+ 16,641
General charges	56,437	- 506
Law and Parliamentary... ..	8,052	+ 126
Compensation	18,920	+ 3,678
Rates and taxes	132,468	- 4,530
Government duty	20,956	+ 2,325
Tolls	5,192	- 83
Harbours, canal and pier expenses	4,596	+ 326
Steamboats	95,702	+ 2,344
Totals	1,498,307	Net dec. 150,962

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A comparison of the half-years with the preceding year gives the following results of profit on the working of the railways.

Half-Year ended		Profit on working. £			Working Expenses. Per. cent.
June 30, 1900	...	683,663	...	...	66·34
June 30, 1901	...	556,001	...	..	72·93

Year ended		Profit on working for the Year. £			Working Expenses. Per cent.
June, 1900	...	1,679,042	...	...	61·66
June, 1901	...	1,488,596	...	...	66·80

The number of passengers increased by 256,721, and the receipts were £13,108 higher. During the half-year continued satisfactory progress has been made in the widenings now being carried out on the South-Eastern section. A second down line from Waterloo Junction to Metropolitan Junction on the Charing Cross line has been brought into use, enabling trains to run from Waterloo to Cannon Street and from Waterloo to London Bridge at the same time. A second down line has been also brought into use from London Bridge to No. 4 east signal cabin on the way to Spa Road Station, and also from Corbett's Lane to North Kent East Junction. The running on the Greenwich railway was converted and altered on May 25, the junctions at Surrey Canal, North Kent East, and Charlton having been reconstructed in connection with the widenings for this purpose, the sidings, cross-over road connections, and signalling at the intermediate stations having been also rearranged. The works on the line between New-Cross and Orpington and the junctions at Chislehurst between the South-Eastern and Chatham sections have progressed, but these will yet take some time to complete. The committee desires again to call attention to the large amount of interest which it is called upon to bear in connection with the expenditure of moneys on new works. There is an increase of £11,000 on this account as compared with the corresponding period of last year. The Bill deposited in Parliament this session by the two companies has passed the Committee stages in both

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Houses of Parliament, and, it is anticipated, will shortly receive the royal assent. The new steamship referred to in the previous report as being in course of construction by Messrs. Denny, of Dumbarton, has been delivered and placed on the service, and is working satisfactorily.

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The report of the directors of the South-Eastern Railway Company for the half-year ended 30th ult., to be submitted at the meeting to be held on the 31st inst., states that the accounts of the South-Eastern and Chatham Railway Companies' managing committee for the half-year show that the proportion of net revenue due to this company is £305,826, compared with £386,366 in the corresponding period of 1900. That amount, together with the other revenue receipts, after allowing for deductions for expenses, leaves a balance of £379,588 to be carried to the credit of the net revenue account. This balance, added to the amount brought forward, and interests on investments, etc., together with a sum of £14,426 which the directors have transferred from an account consisting of revenue which has from time to time been carried to the steam-packet depreciation and renewal fund, has enabled payment to be made of the fixed charges and the dividend on the various preference stocks of the company. The directors regret that no balance remains for dividend on the ordinary and preferred ordinary stocks for the past half-year, and this result is due, as shown by the managing committee's accounts, to the high price of coal and the increased expenditure on the improvement of the permanent way and rolling-stock. The general reduction in the price of coal and other materials which has recently taken place, and the improved facilities for the working of the railway, encourage the directors to anticipate that the current half-year will not be so unsatisfactory in its results to the shareholders. The expenditure on capital account during the half-year amounted to £620,406. Parliamentary: South-Eastern and London, Chatham and Dover Railway Bill—The present position of this Bill is explained in the report of the managing committee. The proprietors will be asked at a special meeting, to be held at

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the conclusion of the half-yearly meeting, to authorize the issue of £1,000,000 of capital as an ordinary or preference stock, as the directors may determine, being the balance of £3,000,000 authorized. It will be remembered that £2,000,000 of this capital has already been raised as a convertible 4 per cent. preference stock. Power will also be asked for the exercise of the whole of the borrowing powers, not exceeding £1,000,000; £666,000 of this amount will be in respect of the £2,000,000 capital already issued. The issue of this amount of debenture stock will be merely an adjustment of accounts, and will impose no additional liability on the proprietors, as the capital account is now over-expended. The directors and auditors will attend at the offices, London Bridge Station, on July 30, between the hours of twelve and one p.m., to render explanations of the accounts to such of the proprietors as may be desirous to obtain them.

CHATHAM AND DOVER RAILWAY.

The report of the directors for the half-year ended June 30 last states that from the accounts of the managing committee of the South-Eastern and London, Chatham and Dover Railways it will be seen that the proportion of net revenue payable to the company is £212,523. To this is added other revenue receipts of the company, as shown in the revenue account, amounting to £25,996, resulting in a balance of £238,520, which is carried to the net revenue account. After meeting the charges for debenture interest, rents, and payments due to other companies, it shows a balance of £48,632, as compared with £150,624 in the corresponding half-year of 1900. Out of this balance the Board will recommend the proprietors to pay a dividend of 14s. 6d. per cent. for the half-year upon the Arbitration preference stock, making, with the £2 5s. per cent. distributed for the half-year ended December 31, 1900, £2 19s. 6d. for the company's book year, the sum carried forward to the credit of the current half-year being £12, as against £185 in the corresponding period of last year. If the proposed dividend should receive the sanction of the meeting, it will be payable on August 16. The causes which have involved the reduction of the dividend are fully

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set forth in the report of the managing committee, and in the present financial condition of the company the Board are satisfied that the permanent interest of the proprietors will be best served by limiting the distribution to the amount really earned on the half-year's working as shown by the accounts. The Board regret to announce that they are deprived of the valuable experience and services of Lord Harris, so long a director of the company, as his father was before him. His lordship's important public and private duties are now of a character which prevent his giving that time and attention to the affairs of the company which he feels he should do, and he has therefore resigned. The Board have filled up the vacancy by the election of the Right Hon. Sir William Hart Dyke, Bart., M.P., whose position in the county of Kent, and large experience of public business, cannot fail to be of great value to the company and his colleagues on the Board.

The following was the chairman's speech at the meeting of the South-Eastern Railway Company:

The chairman, in the course of his remarks, said: 'I believe this is the first occasion on which a chairman of the Board of the South-Eastern Directors has had to meet the proprietors without a declaration of dividend on the ordinary stock. I think that we must all express our extreme regret, but the proprietors are pretty well aware of the unfortunate combination of circumstances which have led to that particular result. It is indeed unfortunate that at a time when we are making a very large capital expenditure upon our line we should be confronted with a large increase in the price of coal and other materials, and, further, we are paying a very large additional amount in wages. I have received two letters which require some notice from the chairman before I ask your attention to the accounts. One is on the question of Ludgate Hill Station, a question which, unfortunately, has brought our Board into conflict with the Corporation of the City of London. We admit that the renovation of that station is necessary, but I can only give the same answer as we gave to the Corporation of London. We fully admit that that station is not up to the

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requirements of its traffic, but it must take its turn. There are other portions of our line which require our attention considerably more than Ludgate Hill Station, and when we are sufficiently prosperous to renew the Ludgate Hill Station, we certainly will direct our attention to that matter. The other letter, enclosing a very fully signed memorial, deals with the subject of Sunday excursions. There has been, I regret to say, considerable complaint in the villages of Kent during the summer months as to the excursionists whom we carry down to the hop-picking districts. We do not run Sunday excursions in the public sense of the term. We do allow people to travel on Sundays at cheap fares by our regular trains. They present themselves in such large numbers that the regular trains will not carry them, and we have to duplicate, and in some places to triplicate, these trains to meet their requirements. It is a matter of very great difficulty, but it is also a matter by which a certain amount of profit to the shareholders comes in, and which no doubt assists our weekly returns and gross receipts.'

Turning to the accounts of the managing committee, the chairman proceeded: 'We have on our receipts side the small amount of £23,300, in comparison with the receipts of the corresponding half of 1900. Of that, £14,000 is attributable to passenger and parcels traffic, and on that I might say at once that it is a very small increase when you take into consideration the increased traffic we got through the opening of our Epsom station. £5,000 is attributable to steamers, and £3,000 to goods. This is but a small amount in comparison with the passenger traffic which we reported to you in the corresponding half-year. There is a large diminution in the number of short-distance journeys, owing to the competition in other means of locomotion. This falling-off is more marked, naturally, in the Metropolitan area, where trams and buses compete with our railway, and also in the Isle of Thanet, where a light railway has been opened between Ramsgate and Margate, and which is doing a great business at our expense. There is a satisfactory increase in the amount received from the steamers of £5,000, which shows that our Continental traffic has revived to its old dimensions. Coming to the question of goods, it is rather a remarkable fact that, while

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our general merchandise has largely increased—something over 50,000 tons during the half-year—there has been a very large decrease in the coal tonnage and heavy traffic carried. As regards coal falling off, it is no doubt due partly to the mild winter, and also to the high price of coals for domestic purposes during the six months. I may say that we have issued 350,000 more workmen's tickets in the six months of 1901 than in the corresponding months of 1900. These represent practically 700,000 journeys, and that at the small cost of a fraction less than 2d. per journey. In the expenditure I have to mention, for the first time for a great number of years, a decrease in the amount we have paid for rates. It is satisfactory at least to think that a check has been made to the continual growth of the amount that we pay in rates, but it is not satisfactory, if you look at the actual cash we pay, in comparison with the amount of land we own, and in comparison with what is paid by other land-owners in the same districts. Attention ought to be called to this, to see whether something cannot be done when the Government bring in their promised Bill for the readjustment of rates.

‘We have spent out of income a very considerable sum on permanent way. I may be asked whether that sum is an abnormal one or not. It is an excessive sum for the half-year, and that excessive sum is mainly due to the fact that we have during the half-year received a certain amount of facilities from our capital expenditure, which has allowed our engineer to get on to parts of the line which he could not do while the traffic was in full swing. We have in the future to make up a very considerable deficiency in our permanent way, and, although the expenditure on this half-year is very large, I think we need not look for quite such an increase in the future, although it will be the policy of the Board to keep up the efficiency of the permanent way. I now come to the South-Eastern accounts. You will see that our rent-roll is satisfactory. We have not only received more rent during the half-year, but I am glad to say that rent has been received at less cost, and that the management of that department is, in my opinion, extremely satisfactory. I have received several letters from shareholders suggesting that it would be a very pleasant assurance if I could say that our capital account was closed.

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That would be a most desirable thing, but it is impossible in the case of a railway such as ours, where larger locomotives, larger rolling-stock, and where large expenditure on the permanent way and improvement of stations are required. A great portion of this expenditure must of necessity go to the revenue account, but it would be most unfair if capital did not bear its proportion of the cost. As regards the question of capital, we are asking for powers to authorize us at once to issue £666,000 of debenture stock. That is for the purpose of meeting a temporary advance from our bankers and others, and it will not practically bear any permanent cost on the half-year that is to come. As to the actual form which the debenture stock will take, we have not at the present moment made up our minds, but we shall place it to the best advantage on the market in order to get our money. With reference to the announcement asking for powers for issuing £1,000,000 of ordinary and preference capital, I must say we thought it was right, under the special circumstances, to give notice to the shareholders that we should be requiring that money in the near future. There is no immediate demand for it, so far as I can judge. I do not feel certain that we shall require any of it during the current half-year, but I thought it was right to give notice that the issue would be required, and in the event of our having to exercise any portion of the powers, we shall naturally call those of our principal shareholders together and consult them as to the form that issue should take. I feel that I need not say much more, except, naturally, to express our regret at the fact that we have a deficiency on the accounts, and are not able to meet our preference dividend. I would like to say one word on the fund from which we have taken it. That fund was created some years ago for the purpose of renewing and reinstating the fleet. The question of depreciation did not arise. Sir Edward Watkin, in making the proposal, stated that it would be well to equalize the treatment on the repairs and renewals of the fleet out of revenue by making a fixed charge, instead of letting each half-year bear its own particular cost. That fund grew to £100,000 odd, and is no longer required for the purpose for which it was instituted. The managing committee have their own fund for the renewal and reinstatement of the fleet, and I am thankful

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it is in a very satisfactory condition. It amounts now to something like £94,000, after paying for the new steamship *Canterbury*, and, in the opinion of our able advisers, the fund is absolutely ample for all calls that may be made upon it. Under these circumstances, that sum of money, £100,000, is no longer required for the purpose for which it was instituted. It is practically what may be called a contingent account, but the auditors very properly considered that it having been instituted by the shareholders, it was for the shareholders to pass a resolution as to its particular allocation.

‘Now, as regards the immediate future. No one is more aware than I am how very foolish it is at any time to state anything in the form of prophecy, but still, I think that at this particular juncture in our affairs I should be shirking my responsibility as chairman unless I state what, in my own individual opinion, is to be the result of the next six months’ working. I have consequently gone very carefully into all the figures, and I would like to give you the result of my individual research. To begin with the receipts. We cannot control receipts, and we can only be guided, so far as we know, by the circumstances of the half-year. In the half-year with which we shall be comparing, we had a great rush to the Paris Exhibition. I estimated, when I was addressing you in January, that that came to something like £30,000. We cannot look for anything in that form to make up for the whole of that £30,000. And as regards our holiday traffic, I regret to say that increased taxation, with its consequent increase in the cost of living, and also the decrease in dividends, must of necessity have some effect on our holiday traffic. Consequently, on our passenger traffic I am afraid we must look for a diminution in the half-year. But when I come to our goods traffic, I think we may look for some increase to meet that deficiency. We are all aware that there is a considerable promise of excellent crops of both hops and fruit in the county of Kent, and we are also aware that the coal consumption in the Southern Counties last year was largely reduced, and therefore we may look to a considerable increase, I think, under both of these heads. We shall, I believe, be extremely fortunate if we keep up our gross revenue at the same rate as we did last year. It is when I come to the other

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side of the accounts that I can give our shareholders some consolation. I believe that we shall save considerably under a great number of items. In the first place, there is the coal-bill, on which I look for a substantial decrease. I think I may not be over-estimating when I say that something like £40,000 may be saved on coal in the six months. I think there will also be a corresponding saving in the cost of materials, and altogether I do not consider as permanent the heavy increased expenditure in our spending departments which has taken place in the last six months. On the whole, I think we shall make economies in our several departments, particularly as Mr. Hill has stated to me that there will be a sensible decrease on the mileage during the half-year. In these circumstances I do not think I am taking an over-sanguine view when I say that I hope we shall be able to propose a dividend at our next half-yearly meeting without any undue encroachment upon our reserves.'

At a special meeting afterwards held, the proprietors sanctioned the creation and issue of £1,000,000, the balance of the capital authorized by Section 31 of the South-Eastern Railway Act, 1900, the exercise of the borrowing powers of £1,000,000 mentioned in Section 33 of that Act, and the creation and issue of debenture stock.

A vote of thanks to the chairman, directors, and officers, closed the proceedings.

CHAPTER XXII

THE METROPOLITAN AND METROPOLITAN DISTRICT

THESE are our two underground struggling railways, and after sleeping for many years, and drifting along with Time to wherever Time chose to take them, to bankruptcy or elsewhere, the directors have just awakened to the fact that their existences are imperilled by competition. Strange to say, science has been making some progress during their long sleep, and the inventive faculties of man have not lain dormant, a fact that was clear enough to any seeing eye, provided that eye was not closed by heavy sleep. Instead of taking their place in the onward march of progress, these railways have been content to lag farther and farther behind, until to-day they are at so great a distance in the rear that it seems impossible, by any physical effort on the part of such enervated concerns, to come within beneficial distance of the van. Where was the foresight that did not provide for this? Where was the observation that failed to see whither events were tending? Lamentation is now too late. Time cannot be overtaken, however vigorous the effort

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might be. And so they must be left behind, without sorrow and without regret, left to perish of old age and decrepitude, for it is too late to revive them by any magic, to restore their lost youth and energy.

The utterly hopeless state to which they have now drifted is revealed by the deplorable consequences that overtook them during the past six months. The receipts have declined to a considerable extent, owing to the severity of the competition of the Central London Railway and other electric systems, and at this late hour they have resolved—or, rather, they have *proposed* to resolve—to enter into the contest by the use of the same weapons. But man cannot foresee with what skill they will be able to use these new and unfamiliar weapons, and, judging from the lack of dexterity with which they have used their old ones, we are not encouraged to hope for success in those new adventures which they will *in time*—daringly and, perhaps, too recklessly—enter upon. It seems to us it will be a short and decisive encounter, not without ignominy to the rash, ambitious *old* men, who will have to retire to the shades again, accompanied, perhaps, with the ridicule which their Don Quixotism will have justly earned.

If this is pessimism, then I will again ask the reasonable and common-sense question, Why did they not *foresee* the revolution which electric traction would surely inaugurate? Was the evidence not impressive enough for them years ago? Where was the intelligence that could not see the growing unpopularity of their lines and systems, and which

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would send their customers to any system which would add, however slightly, to their comfort and convenience? This is what they ought to have foreseen, and not have waited until it was brought actually before their eyes in colossal, solid fact, and then to stand amazed and dumb before such a stupendous, awful phenomenon. And then, when they do see it, when they cannot any longer deny its existence, they cannot arouse themselves up to any other act of energy than to *quarrel*, which is so in accord with their past fatuity and stupidity that we cannot regard it other than a most undignified spectacle, exciting the emotion of contempt rather than of pity. Instead of uniting their already enfeebled strength to combat the common enemy, they will weaken themselves still more in this insane feud, and the only one to benefit will be the competitor himself, who will not only continue to gain valuable time, but will find his rivals less able to fight effectively. And what confidence are we encouraged to put in men who have not the intelligence to see and to understand so simple and rudimentary a fact as this?

Of the two railways, the Metropolitan has enjoyed the greater measure of success. I had almost said that it was the more flourishing, but if I used such a word as flourishing I might run the risk of being misunderstood; for when a concern exists merely from hand to mouth, and has not the wherewithal to indulge in the simplest luxury, we cannot delude ourselves by saying that it flourishes. It has been in existence ever since 1853, and no doubt it would

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have slept on until 1953 had it not been aroused in this sudden and vigorous fashion; but what effect this arousing will ultimately have cannot be foreseen until it has finished rubbing its eyes and takes a step forward to some action, lethargic or otherwise. In 1887 the railway was separated from its landed properties, when the Surplus Lands Stock was created, which was to be entitled to the income derived from such lands. Up to that date the net revenue from the lands was carried to the general revenue account, but since then the net profits from the railway are applied in dividend on the consolidated stock only, and from the landed properties on the surplus stock only. A schedule was drawn up at the time in which it was declared that 'the present and prospective value of such surplus lands be fixed and determined at the sum of £2,640,915,' which was one-half of the ordinary stock then existing. This stock was issued to the holders of ordinary stock in the proportion of £1 of surplus lands for every £2 of ordinary stock. Naturally, this separation of the income from the surplus lands from the revenue of the railway had the appearance of taking away a large amount of the security from the debenture and preference shareholders, and so the following clause was inserted in the Act which sanctioned the separation: 'Nothing in this Act contained shall in any way alter, prejudice, diminish, limit, or otherwise affect the security for or any priorities subsisting between the debentures, debenture stock, and mortgage bonds, or of any preference stocks charged upon or

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granted, created, and issued in respect of the general undertaking of the company and the revenues thereof and now subsisting,' which means that the security of the debenture and preference stocks existing in 1885—when the company was authorized, under the powers conferred by the Metropolitan Railway Act of that year, to separate the surplus lands of the company from the railway—was unaffected by the separation, so that the revenue from the surplus lands is available for them if need be. That this should be made all the clearer the following clause was also inserted in the Act of 1885: 'No Debenture, Debenture Stocks, Mortgage Bonds, or other securities created, granted, or issued by the company after the date of the separation of the surplus lands from the general undertaking of the company shall be charged upon the surplus lands or upon the revenues thereof.' Another provision is that the net proceeds of any sales of the surplus lands must be invested in the name of the company and not the Surplus Lands Committee, and must be in freehold lands or buildings, or in mortgage of real estate, or in the debenture or preference stocks or the mortgage bonds of the company.

The preference stocks which have been issued since 1885, and which have the security of the railway only, are the following: 4 per cent. new preference, £124,905; $4\frac{1}{4}$ per cent. preference, £350,000; $3\frac{1}{2}$ per cent. preference stock, £150,000; new $3\frac{1}{2}$ per cent. preference (out of an authorized issue of £450,000), £109,388; and 3 per cent. guaranteed, £100,000. The latter was issued in

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1891, and ranks for cumulative dividends out of the net profits available for dividend on consolidated stock. The remainder of the capital is made up as follows: £5,731,830 consolidated stock; £2,640,915 surplus lands stock; £2,502,038 4 per cent. perpetual preference stock; £83,000 4 per cent. perpetual preference stock, 1882; £250,000 4 per cent. irredeemable preference stock; £200,000 4 per cent. preference stock, 1887; and £3,259,999 debenture stock, of which £555,680 bears $3\frac{1}{2}$ per cent. interest, £2,293,311 4 per cent., £52,745 $4\frac{1}{4}$ per cent., and £358,263 $4\frac{1}{2}$ per cent. interest.

The following table gives the dividends paid on the consolidated stock each half-year since 1885, their highest and lowest prices, and the balances carried forward:

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1885 . .	113 $\frac{1}{4}$	98 $\frac{1}{4}$	4	5,345	4	14,909
1886 . .	118	102 $\frac{1}{4}$	4	52,663	4 $\frac{1}{4}$	52,527
1887 . .	72	62 $\frac{3}{8}$	5	26,467	2 $\frac{3}{4}$	21,228
1888 . .	77 $\frac{3}{4}$	64	2 $\frac{3}{4}$	21,305	2 $\frac{3}{4}$	21,810
1889 . .	92 $\frac{3}{4}$	74 $\frac{1}{8}$	3	15,857	2 $\frac{3}{4}$	14,012
1890 . .	84 $\frac{1}{4}$	74 $\frac{3}{4}$	3	9,498	3	9,591
1891 . .	92 $\frac{1}{8}$	76 $\frac{1}{8}$	3 $\frac{1}{4}$	11,671	3 $\frac{1}{4}$	10,942
1892 . .	90 $\frac{1}{2}$	85 $\frac{1}{2}$	3 $\frac{1}{4}$	8,690	3 $\frac{1}{4}$	9,807
1893 . .	89 $\frac{5}{8}$	81 $\frac{1}{8}$	3 $\frac{1}{4}$	2,252	2 $\frac{1}{2}$	1,492
1894 . .	93 $\frac{3}{4}$	80	2 $\frac{3}{4}$	7,687	2 $\frac{3}{4}$	10,787
1895 . .	96 $\frac{1}{2}$	88	2 $\frac{1}{8}$	11,553	3	12,144
1896 . .	117	90 $\frac{3}{4}$	3 $\frac{1}{4}$	13,214	3 $\frac{3}{8}$	14,130
1897 . .	134 $\frac{1}{2}$	110 $\frac{1}{2}$	3 $\frac{3}{4}$	16,398	3 $\frac{5}{8}$	17,133
1898 . .	136 $\frac{1}{4}$	123	3 $\frac{3}{4}$	18,422	3 $\frac{5}{8}$	17,281
1899 . .	127 $\frac{3}{4}$	107	3 $\frac{1}{8}$	18,983	3 $\frac{5}{8}$	18,340
1900 . .	113 $\frac{1}{2}$	82	3 $\frac{5}{8}$	19,767	2 $\frac{1}{2}$	20,633
1901 . .	85	71 $\frac{1}{2}$	2 $\frac{1}{4}$	20,742

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The following dividends have been paid on the surplus lands stock since the second half of 1887:

Year.	First Half-Year.	Second Half-Year.
1887 . . .	...	$2\frac{1}{2}$
1888 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1889 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1890 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1891 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1892 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1893 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1894 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1895 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1896 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1898 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1899 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1900 . . .	$2\frac{1}{2}$	$2\frac{1}{2}$
1901 . . .	$2\frac{1}{2}$	...

Taking it on the whole, this is not a bad record, and it is even brilliant when compared with the results of its miserable neighbour, the District. But it has now entered on a new era, and an inauspicious era, and it will have to make a great effort to avert extinction. The directors have resolved to adopt electric for steam traction, in order to compete with the many electric railways that are growing up around them, and it is questionable whether this effort is not being made too late. The Coronation festivities next year will bring it additional traffic ; but as these will be temporary and not permanent, we must look ahead into the distant future, and we see very little that is

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bright and hopeful. Keen as the competition has been during the past year, it will become keener in the future, and by the time the electrification is completed much valuable time will be lost. To make it worse, both the Metropolitan and the District must adopt the same system, and they cannot agree upon the one they shall adopt. Matters, therefore, have come to a deadlock, and there they are likely to remain for some time, to the great loss of the shareholders and the disgust of far-seeing men. The story is told in the reports of the directors and the speeches of the chairmen, so I need not go over it here, except to say it is a thousand pities an agreement cannot be arrived at without a moment's delay, seeing how valuable a moment is to such derelict concerns as these, especially to that impoverished, decrepit concern, the Metropolitan District Railway.

Competition threatens them on all sides, for the Great Northern and City line will shortly be completed, whilst many others are in the process of building or are proposed to be built, all of which will divert traffic from the underground railways ; and yet the directors stand by and look on helplessly, glaring at one another in angry defiance, under the delusion that they are acting as intelligent, sensible men.

The following is the report of the directors of the Metropolitan for the past six months :

The report of the directors of the Metropolitan Railway Company for the half-year ended 30th ult., to be submitted at the half-yearly meeting to be held in London on the 26th inst.,

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states that the total receipts (deducting this company's proportion of the revenue of the City lines and extensions) have been £411,823, and the expenses £208,446, leaving a profit of £203,376. The receipts show a decrease of £32,742, and the expenses an increase of £7,359, as compared with the corresponding half-year of 1900. The falling-off in the receipts is attributable entirely to the competition of the Central London Railway, which—owing largely, no doubt, to the low fare charged by that company—caused a loss of traffic in the half-year of about £42,000, a sum equal to £1 9s. 4d. per cent. per annum on the consolidated ordinary stock. The important question as to the best means of meeting this competition has received the anxious attention of the Board. No doubt the most effectual remedy will be the substitution of electric for steam traction on the Inner Circle, which will enable the traffic to be worked under greatly improved conditions, and the directors are sparing no efforts towards the adoption of electric working, without a moment's unnecessary delay, upon the most efficient, economical, and advanced system of electric traction which has yet been placed before the public. It must, however, be borne in mind that the change has to be made without interruption of the traffic, and there are other difficulties which demand the greatest care on the part of those responsible for the safety of the undertaking. The directors have under consideration a scheme for revising the fares on the parts of the railway affected by the competition of the Central London Railway, and also between stations on the Hammersmith line (jointly owned by the Great Western and Metropolitan companies) and the City. They are in communication with the Great Western Company on the subject, and have reason to hope that an agreement will shortly be arrived at. The expenses of the half-year have again been augmented by the high prices of coal and other materials which prevailed at the time the contracts extending into the period under review had to be made.

The net revenue account, after providing for the interest on the debenture stocks and other fixed charges, shows a balance of £161,262, which will suffice for the dividends upon the preference and guaranteed stocks, and leave £85,225 available for dividend on the ordinary stock. The directors accordingly

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recommend a dividend on the ordinary stock for the past half-year at the rate of £2 5s. per cent. per annum, and to carry forward £20,742. The Surplus Lands Committee announce that the dividend on the surplus lands stock for the past half-year will be at the rate of £2 15s. per cent. per annum. In the report issued in January last it was stated that nine tenders had been received and reported upon by Sir William Preece and Mr. Thomas Parker, the electrical engineers of the Metropolitan and District companies, and that those gentlemen had been requested to make a thorough examination of the system proposed by one of the firms. The engineers having reported that this system, which was that of Messrs. Ganz and Co., of Buda-Pesth, stood out from all the rest by reason of its economy and combined efficiency and simplicity, both in installation and working, the joint committee of the two companies despatched the engineers to Buda-Pesth, in order that they might make a thorough and exhaustive examination of the system in actual work. Both the engineers sum up the advantages of Messrs. Ganz's system by stating that it is a decided step in advance over any other system in use in the United Kingdom or in America, and is eminently adapted to facilitate the application of electric traction upon our principal railways. The joint committee recommended the tender of Messrs. Ganz and Co. to the respective Boards of the Metropolitan and Metropolitan District companies as being the one best adapted to meet the requirements of the Inner Circle service. The Board of the Metropolitan Company adopted the view of the joint committee, and a letter was subsequently written to Messrs. Ganz and Co. by the two companies, informing them that the Boards of the companies had carefully considered the question, and viewed with favour the proposals contained in their tender, subject to the approval of the Board of Trade of the method of working proposed, and to certain other conditions which the engineers might deem necessary. Up to this point the two companies were in accord as to the method of traction to be adopted, and it was therefore a matter of surprise to the directors that the District Company, without consultation with the directors of this company, shortly afterwards announced their determination to electrify their railway upon an entirely different system. To

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enable this to be carried out, the District Company sought Parliamentary powers to compel the traffic of other companies passing over the District Railway to be worked by the particular system adopted by that company. The Board of this company considered such enactments prejudicial to the shareholders' interests, and petitioned against them, with the result that a clause has been inserted in the District Company's Bill to the effect that, unless within one month after the passing of the Act the Metropolitan and District companies shall have agreed to adopt the same system for the working by electrical power of the portions of their respective railways forming part of the Inner Circle Railway, and also the City lines and extensions, either company may refer the question to the Board of Trade to appoint a special tribunal to hear evidence and report to the Board of Trade, which is thereupon directed to determine which system of electrical working shall be adopted. The electrical engineer advises that this company's generating station will be practically the same for any system which may be adopted, and plans are accordingly being prepared of a station to be erected at Neasden upon a site belonging to the company which, he reports, is well adapted to the purpose. The company's Bill of this session has been passed by Committees of both Houses of Parliament.

The vacancy caused by the death of Mr. H. J. Barrett has been filled up by the appointment of Sir Christopher Furness, M.P. Mr. Bell, owing to the recent unsatisfactory state of his health, has expressed the wish to be relieved of the managerial duties which he has fulfilled during the past twenty-one years. His colleagues consider that his able and faithful services to the company, extending over a period of nearly thirty years, entitle him to a relaxation of his work, and arrangements will be made accordingly. Mr. Bell, at the earnest request of his colleagues, has consented to retain the chairmanship of the Board, and the proprietors will be asked at the meeting to fix his remuneration.

The following was the chairman's speech at the meeting of the company:

'I need not emphasize what is apparent to all of us, that

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the accounts, and, indeed, the report also, for the past half-year are not altogether pleasant reading. A reduction of £32,740 in net revenue is a painful fact, which neither I nor my colleagues wish in the least to minimize. But, happily for us, the explanation is simple, and may be expressed in a sentence. It is entirely owing to the competition of the Central London Railway. That figure of £32,740 does not, however, represent all that the Tube has taken from us. In addition, it has deprived you of about £10,000, which represents the increase in merchandise and other traffic on other parts of your system. Therefore, what the Central London has really taken from you in the half-year is the large amount of £42,000. The increase in working expenses was £7,359, which, under the circumstances, may, I think, be regarded as moderate. But for neither of these two causes of diminished income are your directors in the smallest degree responsible.

‘Parliament sanctioned the construction of this competing railway, and whilst we feel that a heavy blow has been struck, for the time being, at our interests, we, as sensible business men, are bound to recognise the fact that this and similar schemes must and will go on. But, fortunately for us, the teeming population of London is an ever-increasing quantity. What we have got to do is to set our house in order, and quickly, that we may meet the competition which has come upon us. If we had been in possession of those receipts of which we have been deprived by the Central London, and to a smaller extent by the high price of coal, instead of paying a dividend of $2\frac{1}{4}$ per cent., we should have paid you a dividend of $3\frac{3}{4}$ per cent., or a dividend equal to the best we have paid you in the best of times. But, as I have said, we are not in the very least responsible for either the Twopenny Tube or the high price of coal, nor for the diminished dividend. If we had paid you the full dividend I have hinted at, which we should have done but for the causes entirely beyond our control, should we have heard a word, a whisper even, of those complaints which have appeared in certain quarters? Both I and my colleagues have been surprised at some of the attacks which have been made upon us, and especially upon our chairman, who, unfortunately, is too ill at this moment to appear here to defend himself. But, ill

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as he is, he would have left his sick-room to-day to meet these attacks were it not that his doctor absolutely forbade it. At every previous meeting of our proprietors a unanimous vote of confidence has been passed in the chairman and Board for their conduct of your affairs, and I venture to think that confidence has not been undeserved.

‘I now come to deal with the question of electric traction on your system. We all recognise that it is in this direction that we look for the restoration of your traffic and of the earning capacity of your railway. It is here that we have been attacked, as though we, the Metropolitan Company, were the hindrance to the prosecution of this most important work. No body of men could have been more anxious to push forward this work than your Board. We felt strongly how your property was being injured by the Central London. As a Board we have a large personal interest at stake in our undertaking, and we were anxious that not a day should be lost in making the electrification of our line an accomplished fact. And our neighbours and partners in adversity were as anxious as we were about this matter. They were being hit, though not so severely as we were, by the Central London competition. We were united hand and glove in our determination to push the business through. We each appointed an electrical engineer as our advising expert. We appointed Mr. Thomas Parker, the electrical engineer who planned and constructed the Liverpool Overhead Railway, which has been from the first a most successful electric railway. They appointed Sir William Preece, until lately the Government electrician of the Post and Telegraph Departments. These gentlemen drew up a skeleton specification, and we advertised for tenders. We had nine tenders sent in from the most eminent electrical engineering firms in the United Kingdom, on the Continent, and in America. These tenders were submitted to a searching examination by our experts, and they reported that the tender of one firm, that of Messrs. Ganz and Co., of Buda-Pesth, stood out from all the rest by reason of its combined simplicity and economy. We considered this so important that we despatched the two electrical engineers to make a thorough examination of the system on the spot, and report upon it fully. It is evident from their

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report that the Ganz system possesses features of such novelty and importance that it amounts practically to a new departure in electric traction. I ought to have mentioned that at the commencement of our negotiations in this business we appointed a joint electrical traction committee, representing the two companies, and so satisfied was that committee with this report that they passed a resolution recommending their respective Boards to address a joint letter to Messrs. Ganz and Co., accepting their tender, subject to the approval of their system by the Board of Trade, and to certain other conditions to be formulated by our electrical advisers. Eventually, in the month of March last, a joint letter was agreed upon by the Boards of the two companies and sent to Ganz and Co.

‘Up to that time the two companies had worked together in perfect harmony for the prosecution of the object we both had at heart. But about this time a new influence appeared to be at work in the councils of the District Company. A group of American capitalists, with Mr. Yerkes, of Chicago, at their head, came forward, and offered to find a million sterling if a new company, to be called the District Electric Traction Company, might have the contract for equipping the District Company with its electric installation. We met these gentlemen with the chairman of the District Company, but that meeting came to an end, after some discussion, in consequence of a statement being made by them that they would not have the Ganz system on any consideration; and further than this, when we were before the Committee of the House of Commons two or three weeks ago, Mr. Yerkes told the Committee “he would not put a dollar in the Ganz system.” What are we to think of the mental attitude of men who profess to be leaders in scientific and industrial progress, who can express themselves in these narrow and contemptuous terms of a system which the distinguished electrical engineers of the two companies declare to be in advance of any system of electric traction at present existing in this country? I asked the House of Commons Committee, when giving my evidence, what would be thought of a man who in these days came before them and said that, because he was transmitting telegraph messages successfully by means of wire, “on no

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consideration " would he listen to a proposal for wireless telegraphy. I said then, and I repeat, that it is idle to attempt to arrest the progress of electrical discoveries and inventions. If this new method of Messrs. Ganz and Co. is what our experts say it is, it is destined to render valueless millions of dollars' worth of electrical plant, both in this country and on the Continent, and especially in America, and there are not wanting signs that a determined effort will be made by interested companies who command immense wealth to stifle and strangle this new departure in electrical engineering. Although men may try, from ignorance or from interested motives, to stop the progress of inconvenient inventions and arrest the finger of time, a new discovery or a new invention, if it possesses merit, will go on to its final accomplishment.

'At the meeting of the Joint Traction Committee, held on April 25, Mr. Forbes mentioned for the first time that his company had decided not to use the Ganz system outside the Circle ; that he was only committed to the Ganz system so far as the Inner Circle was concerned ; that he considered he had a perfectly free hand as to the system they should adopt outside the Circle ; and, further—and this is the crux of the whole matter—whatever system he used outside the Circle, he should certainly continue over his portion of the Circle as far as the Mansion House. Now, I beg you to mark the effect of this. The Circle is thirteen miles in length. Of this your company own seven, the District four miles, and the remaining two miles are joint property. If Mr. Forbes takes his American system over his four miles he makes it absolutely impossible for us to apply the Ganz system over the other part of the Circle, because we must have one and the same system all over the Circle. It is this we protest against. I cannot tell you how much I and my colleagues deplored this action of the District Company. We had been getting on so well with them, working in such complete harmony with them for the rapid prosecution of this most important enterprise, that this announcement of the change of front on the part of the District Company—for it amounts to no less—came upon us like a bolt from the blue. We did all we could to induce them to stay their hand. We pointed out the effect it would have in preventing both of us from keeping faith with the public, and

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I myself pointed out that both the electrical engineers adhered to every word in their report. We even offered to do what we could to assist the District Company to raise the necessary funds, independent of this American combination. But it was all of no use, and when they applied to Parliament for powers to force their system upon us, we felt bound to oppose them. I was careful to tell the Parliamentary Committee that we had not the slightest wish to defeat the District Bill; all we asked was that we should not be compelled to adopt a system of which we knew nothing, when we were practically committed to a system which the District Company's engineer, as well as the Metropolitan, had told us was the best and most advanced which had yet come before the public. I asked for an independent tribunal, which should inquire into and settle the system which should be adopted by both companies, and that tribunal, I am glad to say, we have got. Now, do please understand that this Board have no interest, direct or indirect, in the Ganz system. I ask you, Were we right or wrong in seeking to get an authoritative decision as to the merits of the two systems? To that question there can only be one answer.

‘There is another most important factor in this business—the cost of the installation. We are going to pay good honest English sovereigns for this equipment, and we want to have the very best and most up-to-date system which the best electrical engineering firms in the world can give us. We are advised that we have got this in the new system of Ganz and Co. This system requires no sub-stations with moving machinery, thereby saving about £150,000 in capital outlay and about £10,000 a year in annual up-keep; in fact, we are advised that the total cost of the Ganz system will be at least 30 to 40 per cent. less than that of the American syndicate. Whatever the decision of the tribunal may be, we shall loyally accept it, and at once go to work with our neighbour to carry it into effect. I hope and trust they will do the same. In the meantime we are proceeding with our power-house, so little or no further delay need ensue. There is another very serious matter on which I must say a few words. Sir John Kennaway, the chairman of the House of Commons Committee, remarked, in announcing their decision, how desirable it was that the two

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companies should be placed under one management. All sensible men must agree with that opinion. It has often been the subject of comment, and we have had much kindly advice given to us—not always, I fear, from disinterested parties. I believe an impression prevails that the Metropolitan Company and its chairman have hitherto stood in the way.

‘This is not so. What has really stood in the way have been the impossible demands of the District Railway. Proposals have been made by both companies on this vitally important subject. They were made in December, 1898, and, in view of the statement recently made by Mr. Forbes that fusion with the Metropolitan Company had now become impossible, my colleagues and I agree that the time has come when we should make the shareholders acquainted with the terms of these proposals. The proposal of the District Company was as follows: (1) That the Metropolitan guarantee 3 per cent. on their preference stock, which at present does not pay anything; (2) that they pay to the ordinary shareholders, who have not had anything for years, $\frac{1}{4}$ per cent. for the first year, $\frac{1}{2}$ per cent. for the second, $\frac{3}{4}$ per cent. for the third, 1 per cent. for the fourth, $1\frac{1}{4}$ per cent. for the fifth, $1\frac{3}{4}$ per cent. for the sixth, and 2 per cent. for the seventh; but, in the event of there being a surplus in the case of the Metropolitan after the seventh year, then such surplus should be divided equally between the ordinary shareholders of the District and the Metropolitan Company, but in no case should the District ordinary shareholders receive more than 3 per cent. within a year. A moment’s consideration will, I am sure, convince you that your Board could not accept any such terms as those; but they earnestly desired fusion, and made a proposal which I think you will say, looking at the position of the District Company to-day, when they are unable to pay even the full interest on their guaranteed stock, was the only way of arriving at a fair and equitable settlement. The Metropolitan proposal was as follows: (1) The District Railway and property (including joint lines and joint property) to be worked and managed by the Metropolitan Company as part of the Metropolitan system for a period to be agreed upon, such period to be sufficiently long to enable the then authorized extension commitments of the District Company to be carried out, and

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for the revenue-earning capacity of such extensions to be ascertained. (2) Separate accounts to be kept, and the District Company to have the benefit of any saving effected in working their undertaking under the one management. (3) During the tentative period of working, the Board of the District Company to continue for capital and secretarial purposes. (4) The District Company not to incur any fresh capital commitments in the meantime. (5) A joint committee, consisting of three members from each of the Boards, to be appointed annually to deal with all questions affecting the working of the District Railway and joint lines as one concern with the Metropolitan, and the management of the District separate and joint property. (6) The joint committee to appoint annually an arbitrator to decide any questions of difference which may arise on any matters referable to the joint committee. Should the committee be unable to agree upon an arbitrator, the Board of Trade to appoint one at the request of either side. (7) The present joint working and City lines committee to be dissolved. (8) When the true net revenue of the District undertaking (plus that of any extension commitments) has been ascertained by actual working, the District undertaking to be merged in the Metropolitan on terms to be mutually agreed, or, failing agreement, to be settled by arbitration. (9) The agreement to be submitted to the shareholders of both companies, and, if approved by them, Parliament to be asked to confirm and make it binding on the companies. Mr. Bell, in stating these terms, used the following words in his letter: "The Board fully recognise the importance, both in the public interest and in that of the two companies, of a working union between the two undertakings, with a view to ultimate fusion."

'The suggestion was not accepted, and was subsequently referred to by the chairman of the District Company at one of his meetings as Mr. Bell's "persiflage." It seems to me, if both parties would be content with what is fair and just, those terms contain the basis of a much-needed settlement of this question, and my colleagues agree with me in this view. Of course, if either of the parties want what is unfair—to secure some advantage at the expense of the other—then such terms as those might be a barrier. It would be an immense advan-

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tage if both companies could be brought under one management, and some fair and equitable pooling arrangement come to. Let me say at once that your Board have no desire but to work in peace and concord with all their neighbours, as we are doing at the present time. We seek to take no advantage of anyone, but simply to secure for our proprietors fair and equitable terms in any financial arrangements which may be come to. That there is yet a great future for your railway we are persuaded. We are wishful to develop your property to its utmost capacity, but we must bespeak your patience in view of the difficulties which must necessarily attend the change from steam to electric working. This great work has to be done in the short intervals between midnight and six in the morning. We must be sure of our ground and make no mistakes, but that we shall eventually triumph over our difficulties I am as certain as that I am now addressing you at this moment.'

Whilst I cannot accept the excuse of the directors that they are not responsible in some measure for the results of the past year, inasmuch as they ought to have foreseen the possible and probable results of the competition which has brought about so great a change in the company's fortunes, I must say that my sympathies are entirely with them in this quarrel over the electrification. The action of the Metropolitan District seems to be utterly incomprehensible, especially after their own engineer had expressed himself in such favourable terms of the Ganz system. It seems as if they have been captivated by Mr. Yerkes, but captivation is no excuse for the high-handed conduct of which they seem to be guilty. Then, again, what could be more preposterous than the terms laid down by the District for amalgamation? Especially absurd are they when we bear in mind the chronic im-

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pecuniosity of the railway, and the fact that it has not paid a dividend on its ordinary shares since 1882. And what prospect has this company of ever earning that dividend now? No hope whatever, and yet this is a company that would dictate its own terms and make no reasonable concession to a wealthier and sounder partner, when it ought to welcome fusion with alacrity and thankfulness!

CHAPTER XXIII

THE METROPOLITAN DISTRICT (*continued*)

THE Metropolitan District Railway was incorporated in the year 1864, and owns thirteen miles of line. The capital of the company is made up as follows : £2,250,000 ordinary stock ; £1,500,000 5 per cent. preference stock ; £244,444 Hammersmith rent-charge stock, $4\frac{1}{2}$ per cent. ; £250,000 Ealing rent-charge stock, $4\frac{1}{2}$ per cent. ; £300,000 Fulham rent-charge stock, $4\frac{1}{2}$ per cent. ; £1,250,000 4 per cent. guaranteed stock, cumulative, secured upon the share of the District Company of the net revenues of the City Lines and Whitechapel Extension authorized by the Act of 1879, and, in addition, on the surplus revenues of the District Company after payment of interest on their mortgage debt and debenture stocks ; £82,500 Bow Extension guaranteed stock, ranking for 2 per cent. interest for the first year from allotment, 3 per cent. for the second year, and 4 per cent. thereafter ; £350,000 Midland rent-charge stock, entitled to a guaranteed dividend of 4 per cent. per annum, and secured by a rent payable by the Midland Railway Company under

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the provisions of the Metropolitan District Railway Act, 1878; and £1,938,825 debenture stock, of which £1,211,625 bears 6 per cent. interest, and the rest 4 per cent.

The debenture capital of the company increased from £1,698,275 in 1881 to £2,065,825 in 1900, the preferential capital from £2,644,444 to £4,061,044, whilst the ordinary capital stood still during that period. The gross receipts rose from £373,026 to £416,142.

In the first half of 1882 a dividend of $1\frac{1}{4}$ per cent. was paid on the ordinary, and $\frac{3}{8}$ per cent. in the first half of 1883, but not a penny has been paid since, and the next dividend will in all probability be paid when the millennium comes.

The following table gives the dividends that have been paid on the 5 per cent. £1,500,000 preference stock since 1886, with the balances carried forward at the end of each half-year (Table A.).

The following was the doleful report of the directors for the past six months :

The report of the directors for the half-year ended June 30 last states that the total receipts have been £200,747, against £224,429 for the corresponding half of 1900, showing a decrease of £23,681. The working expenses have been £113,195, against £108,868 for the corresponding half of 1900, being an increase of £4,327. The revenue account shows a profit of £87,552, against £155,560 earned in the corresponding half of 1900, being a decrease of £28,008. The net revenue, after paying the interest on debentures and debenture stock and the several rent-charges, leaves a balance of £23,810. This amount will only admit of a payment for the half-year of a dividend on the 4 per cent. guaranteed stock at the rate of 3 per cent. per annum. Four per cent. per

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Year.	First Half- Year.	Second Half- Year.
	£	£
1886 . .	2 1,293	2 $\frac{1}{2}$ 8,252
1887 . .	1 $\frac{1}{2}$ 8,517	nil 2,260
1888 . .	nil 5,334	$\frac{3}{4}$ 4,607
1889 . .	nil 7,180	nil 6,131
1890 . .	1 $\frac{1}{2}$ 10,182	1 10,011
1891 . .	2 $\frac{1}{2}$ 4,788	2 $\frac{1}{2}$ 1,076
1892 . .	3 $\frac{1}{4}$ 3,507	2 $\frac{3}{4}$ 594
1893 . .	2 $\frac{3}{4}$ 247	1 $\frac{1}{2}$ 250
1894 . .	3 $\frac{3}{4}$ 1,505	1 $\frac{1}{2}$ 307
1895 . .	3 1,308	2 $\frac{1}{2}$ 765
1896 . .	3 $\frac{1}{2}$ 948	2 $\frac{1}{4}$ 403
1897 . .	4 4,380	2 $\frac{3}{4}$ 4,006
1898 . .	4 4,735	1 $\frac{1}{4}$ 218
1899 . .	3 $\frac{1}{4}$ 245	1 $\frac{3}{8}$ 381
1900 . .	3 $\frac{1}{8}$ 281	nil 149
1901 . .	nil 522	... ...

annum having already been paid on this stock up to February 28 last, the dividend for the remaining four months of the half-year will be at the rate of £2 10s. per cent. per annum, the residue (£522) being carried forward. If approved, the dividend for the four months ended June 30 will be payable on September 1 next. The result of the working of the half-year reveals too fully the serious consequences to the District Company of the competition of the Central London Railway, as already experienced in the preceding December half-year, now aggravated by the effect upon the traffic of the extension of the tramway system on roads running parallel to the western extension lines. The falling-off in numbers of passengers has been very large, and the receipts are less by £23,700. Concurrently with this, working expenditure has increased £4,300, chiefly attributable to the enhanced price of coal, materials, and augmented rates and taxes. The general result of the net revenue account is that, after meeting the debenture and other fixed charges, the balance is only sufficient

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to allow of payment of a dividend at the rate of 3 per cent. per annum on the 4 per cent. guaranteed stock. Meanwhile, in order to cope with the severe competition referred to, there has been a revision of fares, which has already tended to diminish the possibility of further loss of passengers. Much anxious attention is being given to this fares question, which is, however, one of great difficulty and complexity in the case of the District Railway, with its relations and obligations to the Metropolitan and other companies running in connection with it. The Ealing and South Harrow line is approaching completion, and the Bow and Whitechapel works, which have involved considerable difficulties of construction and some delay in the matter of the 'housing clauses,' are now progressing more rapidly. The line will probably be ready for opening in a few months, when a considerable accession of traffic to the District Company may be anticipated. The company's Bill promoted in the present session has passed the Committee stages in both Houses of Parliament, and has now received the royal assent. The most important provision of the Bill is the confirmation of the agreement entered into with the Metropolitan District Electric Traction Company, Limited, for the 'electrization' of the company's lines, the conditions of which have been submitted, fully explained, and unanimously approved at the special general meeting held for that purpose on June 6 last.

The following was the chairman's speech at the meeting, and it is especially interesting as being Mr. Forbes' last speech as the company's chairman :

' I shall not have very much to say about the report, as there will be more serious matters to discuss. Of course, you know what the results are : they are very bad, and one need not go, on the point of a new departure, too much into details upon causes which must be perfectly obvious to everybody who has taken the trouble to follow the history of this company during the past two or three years. The report, I think, puts the position into concise language, and it is the continuation of that effect upon the traffic of this railway which has already been made manifest by the Central London and by the tram-

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ways running parallel with it throughout the greater portion of its length. That damaging cause is gaining ground from day to day, because the tramways, which run over the public roads, and are free of rates and taxes and all those other causes which have pulled us into grief, are going parallel to our railway out into the country. It was bad enough to find this time last year what the effect had been, and it has not been diminished, but rather accentuated, in the interval from the same cause. Tramways have been extended further and are more active. Still, we need not moan over it, and I suppose we must expect that state of things to continue until this electrification of the railway is carried out. That cannot be achieved in a day. Very sanguine people think it may be done in two years; therefore we have got a very trying interval between now and then, and I suppose we must take it as it comes, and do the best we can, and look more to the future than to the present or the past. You know what the aspirations of the future are founded upon, and the nature of the agreement under which we have secured a contract for carrying out what will electrify the railway, and you also know that the people who are parties to that contract have backed their opinion by accepting it upon terms which we have reason to believe, in comparison with other terms that we are offered, are extremely reasonable, upon a system which will be approved as being the best practicable one, although it may not be the best imaginary or possibly scientific one. If it rested there, one would have less confidence, perhaps, than when you add to that the fact that these people amongst themselves have become possessed of considerably over a million of your stocks, and in that capacity have an additional incentive to use all their knowledge and all their efforts to improve their own property, which they cannot do without improving yours, because the bulk of this large sum which they have acquired—including preferences a good deal over a million—is deferred to your preferences, rent-charge stock, guaranteed stock, and debentures. They, in fact, spend that money on the speculation that the electrification of the railway will make those deferred shares much more valuable than they are now, and that they, to use a slang expression, will get out by-and-by at a much higher price than they have paid

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for those stocks ; but they cannot do that without enormously improving the position of all the securities which stand before them.

‘At all events, that offers a gleam of hope. They can find the money, and we could not possibly have done it. Now, is it any good singing a song of lament upon a state of things which we cannot control, that no human foresight could have seen—namely, that our railway should have been denuded of its traffic in the manner it has been? The old pioneer has to stand aside for new things, but human sympathy is very negligent of services rendered in the late past. We easily reconcile ourselves to the misfortune of others. That pervades human nature, and we shall not get any pity. It is no good howling and lamenting over things which you cannot prevent, and which no one could have foreseen. Turning to the accounts, you see that the receipts have fallen £23,000, that the working expenses have increased by £4,000, and the net revenue account shows a diminished profit of £28,000. All we have to say to-day turns upon those three things. The causes are so manifest that I shall not try to make any apology for the inevitable. We have lost in the course of the half-year 1,299,000 passengers, with a receipt of £18,743, and season tickets have diminished by 1,567 holders and £4,672, and there are other small items of decrease which bring the total up to £23,000. The causes of the increase in the working expenses are explained in two items—namely, £1,600 of additional taxation, and about an equal amount in coal. We are not singular in that. It has been the lament of all the companies, from one end of the kingdom to the other, that the coal-bill has been heavy and that wages have increased, and we are not the only people who have to face a reduced dividend. After paying the interest on the debenture stock and rent-charges, there is left a very small balance for division, which enables you to pay something on the 4 per cent. guaranteed stock. Whatever deficiency arises on that stock in the current half-year or the year is carried forward as a debit to the benefit of that stock, and it must be extinguished before the preferences come in for anything. We have suffered some inconvenience from the fact that the dividends payable upon that stock were payable at periods of the year not coincident

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with the half-year. We paid a broken dividend upon it in the month of February, and the remainder six months later. That is according to the original constitution under the Act of Parliament. We have had that, in the Act of this session, put right, and in future these dividends will be paid on June 30 and December 31 in each half-year. The result is that that particular stock received at the rate of 4 per cent. for the two months of the half-year, January and February, and for the remaining four months, with which we are now dealing, they received at the rate of $2\frac{1}{2}$ per cent.—that is to say, for the whole half-year they will receive at the rate of 3 per cent., and the balance of 1 per cent. will be carried forward as a debit against the future revenue, to be wiped out as the revenue increases.

‘Then we refer to the revision of fares and other measures to stop this wastage. It is not a very easy matter. People say, “Why do not you do what is done in the Central?” Well, the conditions and circumstances of the Central are entirely different from ours. They have only one length of railway, they have no intercommunication with other railways, and they have not a large portion of their receipts over the parent line influenced greatly by the division of mileage with other companies in the long traffic upon the extremity of our system and beyond. The problem is entirely different. It is A B C compared with a very abstruse mathematical problem, and it wants a great deal of circumspection and knowledge before you interfere in the dark with a question of that kind, particularly as the determination of that is not absolutely in our discretion. Our arrangements with the companies beyond us are by agreement certified by Parliament, and we have got to persuade them before we can deal with those outside fares. As to the progress of works, we hope the same result will follow the extensions not yet opened as have occurred on the extensions made westward. Our eastward extension, as you know, to Whitechapel, was not a very happy venture. At the time it was promoted and carried out it was thought to be the salvation of both companies—the Metropolitan and the District. It has turned out to be an enormous loss, and we are, unfortunately, as the largest contributors of the traffic, compelled to bear the greatest amount of the loss, because the

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loss is *pro rata* to what the possible gain might be. If it had been a great financial success and returned handsome dividends, we should have had dividends in proportion to the quantity of stuff we had contributed to make it. The reverse, of course, is the case. The Ealing and South Harrow line is approaching completion, as are also the Bow and Whitechapel works. While I am on this point I may say that we have not only very able partners, but partners who are extremely considerate, because they have such confidence in the merits of that undertaking, when completed, as an auxiliary to their interests, that they have—we being relatively impecunious—come forward in the most handsome manner, and on extremely liberal terms have undertaken to find that contribution to the completion of that railway which, in our present circumstances, it would be impossible to find without enormous financial sacrifice, and I think we owe Mr. Doughty Browne and his colleagues a word of recognition for their extreme kindness in helping us. They have taken the whole financial burden on their shoulders, at a very moderate rate of interest, leaving it to be dealt with in the future as to how they are to be recouped. They look forward, however, I think, with some degree of confidence to what the result is to be. My impression is—I may be wrong, but it is their impression, too, and that is what I rely upon quite as much as my own judgment—that, when the total system is connected with our system, the amount of through traffic will be enormously increased, to our benefit and to theirs, and the Metropolitan, who now contribute a very small portion of the traffic over the City lines, will have such inducements to extend their running to Whitechapel and Bow, and through that line to the Tilbury, that there will be a new stream of traffic created over that line, and that part of the system which has not existed hitherto.

‘I do not know whether this time next year I shall be here to address you, but by that time you will know something more about it, for by then the line will have been opened and at work for some time—at least, we hope so. The works have involved very great difficulties, one of them being the impossibility of getting possession of the property until you have provided for the housing of the displaced working-classes—one of those popular illusions generated in the minds of

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philanthropic members of Parliament, who are inclined to be very generous to the working-classes at the expense of other people. I will tell you what the outcrop of that is in this particular case, and in all cases that I know of. When you have acquired these lands and properties at great cost, and have been kept waiting by the Home Office and other departments for months, and in some cases years, before you can get them to agree to this, that, or the other conditions which they are continually varying, you will find that the classes who are displaced will not live in the new buildings, and our venture now stands in this way, that none of the people who are turned out will live in them. Those who do occupy them will only do so on their own terms, and we have very few occupants, either present or prospective, for those buildings, and the possible rent we shall get will not return us 1 per cent. upon the capital. That is the philanthropy of the philanthropist who has not to find the money; it is scandalous. Still, it is the wisdom of Parliament. Then we come to Parliamentary matters, and I will just give you an outline of our Bill. We had, of course, to confirm an agreement for what is called the electrification of the railways, and you approved of the principle of it, and after much consideration and difficulty we got it passed through Parliament. Then we had a very difficult question with the Metropolitan as to the system upon which these railways should be electrified. Everyone has got his own idea, and we, under the advice of a pair of eminent engineers—Sir William Preece and Mr. Parker, of the Metropolitan—were captivated by the apparent merits of what they called the Ganz system. We had a choice of several other systems, but that system did present elements which appeared to be sufficiently good in respect to scientific principles and otherwise to induce us to select the Ganz tender. The moment we selected the Ganz tender we were attacked on all sides by the British companies, such as the British Westinghouse system and others, who said what fools we were, what ignoramus we were, etc., and that it was a dead failure, and that it was impossible to adopt it. Then came this combination to electrify our railway, and they say, in the graphic language of the distinguished gentleman who is at the bottom of it, Mr. Yerkes, "I will not put a dollar into

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appreciate, and I feel that I should not be doing justice to the shareholders of this company, who have trusted me for so many years, if I did not encourage the introduction on the Board of younger men—men with, perhaps, newer notions, and whose commitments make it just and proper that they should come. We have had a talk over the matter, and although I am not prepared to-day to submit it to you in any details, I may say that we will have immediately on our Board, I suppose, Mr. Perks. Everybody knows Mr. Perks, and I trust he will be as successful in his enterprise of electrifying us as he has been in the great charitable work, with a great object, which he has carried on and largely achieved. He is a man of great experience. He has a great position, as you know, in the House of Commons. Everybody believes in Mr. Perks. He was my combatant—I will not say foe, but opponent—for many years when he was the solicitor for the Metropolitan Railway. I have no doubt he will recognise that during those fights I taught him a great deal, and a great deal of that particular part of business connected with railways which, being independent of law—because he is a lawyer—will make him a very competent chairman of this company. As I have intimated, nothing is yet settled; we thought it would hardly be decent to come to any conclusion upon individuals until we had had the opportunity of taking you into our confidence. But Mr. Perks will join the Board, as will also Mr. Murray Griffiths, a very large shareholder, and a very old friend of ours, as you know, who has been with us occasionally, and has given us hints from time to time so as to keep the chairman for the time being in order. The claims of Mr. Murray Griffiths are the enormous stake he holds, and has always held, in the company, and his admirable manner of doing business, full of common-sense and judgment. He has got to work out his own salvation in order to help all the other interests in this concern. He seems also to be a desirable man.

‘Now, this means that there must be some vacancies at the Board, and that is a very delicate thing. I, of course, am quite willing to retire; in fact, for the reasons I have told you, it would not be just to you for me to remain in the position of chairman any longer. What is proposed is that the know-

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ledge I have acquired in this matter—much of it at your expense—should not be thrown away, and that some such arrangement should be come to with me as was come to in a much more important fusion of two great companies, so that I may be of some service even to these younger bloods as advisory director. Therefore I shall remain on the Board with all the knowledge I have, and, I trust, judgment, and certainly with all the loyal desire that I have to further the interests of the shareholders of this company. Common gratitude would dictate that. At the same time, I should be relieved of those details which are extremely minute, very wearying, and very constant. Then some of the other members of our Board we shall have to settle with among ourselves who remain—notably, I think, Sir Charles Dalrymple, Major Isaacs, and myself will be three, and those gentlemen I have named are two; that will make five, and they will find some third gentleman, as to whom we have not decided at present. That will be the constitution of the new Board. We shall not to-day bring forward any resolution on the matter, because it wants some consideration as to how it is to be carried into effect; but I think it is only reasonable and proper that before the Board do proceed in this matter you should first of all know thoroughly the reason for the reconstitution, and, in the second place, that you should have some indication of how it is to be carried out, and then, if you are satisfied, I am going to draw upon your confidence to leave the details of that arrangement to the new Board, when consolidated. I should point out that the Board have powers to reconstitute themselves, and in this matter, as in so many matters in this concern over all these long years, it will really resolve itself into a question of confidence in the present directors, and confidence in the gentlemen who have embarked upon such hazards as the gentlemen I have named, to constitute such a Board as will secure the interest of every partner in this concern in the most speedy and the most effective manner. Probably we shall have to wait the return of Mr. Yerkes, who is immensely interested. He himself will not come on the Board: his functions are of a totally different kind. If anyone thinks this matter ought to be ventilated or challenged, I shall be glad to hear any suggestions and remarks,

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and shall be influenced by them so long as they are reasonable and are in the interests of this concern.'

It will be seen from this speech that Mr. Forbes' defence of the action taken by the District directors over the electrification scheme is an extremely feeble one. He evidently labours under the delusion that his answer is an effective one, and, more extraordinary and incomprehensible still, he is particularly pleased with his gift of humour and his condescension in crushing his adversary merely with light, gentle banter, rather than by cruelly overwhelming the man with ridicule. Where the humour comes in I fail to see, and I think, instead of making his opponent look ridiculous, Mr. Forbes has thoughtlessly placed himself in that unenviable position, simply through his painful lack of the humorous faculty. It is amazing, indeed, that he should think he has a great advantage over Colonel Mellor because the latter possesses some knowledge of electricity. To an ordinary man it would seem that it was Mr. Forbes who was placed at a disadvantage through his ignorance of the science, but Mr. Forbes evidently is so mentally constituted that he does not look at things in the same light as the ordinary man, and actually laughs at the ordinary man's common-sense view of things. Moreover, Colonel Mellor seems to have a 'governing mind,' whatever that may mean. But surely Colonel Mellor is entitled to have an opinion on the subject, especially when it is backed up by engineers whom Mr. Forbes tells us are eminent engineers. Furthermore, it seems to me that Colonel Mellor

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has an advantage in knowing his own mind, whereas Mr. Forbes and his co-directors evidently do not know theirs, for one day they are enthusiastically in favour of the Ganz system, and the next day they turn up their noses at it. Moreover, I would like to know of what use are eminent engineers if their opinions—unanimous opinions—are to be ignored in this disdainful, shilly-shallying fashion. Surely the opinions of such men ought to be deserving of as much respect and consideration as the opinions of Mr. Forbes and Mr. Yerkes. Are the directors of the Metropolitan to be blamed because they stand by the advice of such men, and refuse to be scared because other people, for some reason or other, call them fools and ignoramuses? Is not that tantamount to an aspersion on the ability of such 'eminent' engineers as Sir William Preece and Mr. Parker?

And then, actually when they had been persuaded that the Ganz system was not a good system, and after blaming the obstinacy of Colonel Mellor and his co-directors, Mr. Forbes coolly announces that Mr. Yerkes had gone to Buda-Pesth to inspect the Ganz system, and that he would not be surprised if Mr. Yerkes came back with the Ganz system in his pocket! Is this inconsistency, or is it not? Is this what is called knowing one's mind? And where was the necessity of Mr. Yerkes going to Buda-Pesth? Are we to conclude from it that he was actually ignorant of the Ganz system? If he knew all about it, why trouble to undertake such an unnecessary journey? Are we to conclude from it

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that Mr. Yerkes impulsively condemned a system with which he was not acquainted? And if so, what was the value of that opinion? And does it not seem a confirmation of Colonel Mellor's assertion that Mr. Yerkes was prejudiced against it? No ; look at it in whatever light we will, the action of the directors of the District is self-condemnatory. Their defence is feeble in the extreme, and does not appeal with the least force to common-sense. But we shall see what we shall see. Mr. Yerkes has returned, and he will have nothing to do with the Ganz system. It is now being fought out before a tribunal appointed by the Board of Trade, and the companies must abide by its decision.

As for the prospects of this company, with electrification or without it, I cannot say more than I have already said in the preceding chapter. Time is precious to it, but it is spending time as prodigally as it has spent the money of the shareholders. The competition it will have to meet in the future will increase, and its rivals will gain an advantage while the directors are making up their minds as to the proper and most effective method of meeting the competition. If they intend to meet this competition in the future by a revision of fares on parts of the system, what effect will this have on the already diminishing income of the company? And they will have to extend this revision of fares as the new competing lines are built; but with all their revision, the public will still prefer comfort and to breathe pure air rather than sulphurous fumes. If they lose as many as

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1,299,000 passengers in six months, how many are they likely to lose in the future? The outlook is as dark as it can be, and electrification promises to make it but a shade lighter. And there is not much hope and comfort in a prospect of that kind.

CHAPTER XXIV

THE NORTH LONDON AND TILBURY AND SOUTHEND

THE North London Railway stands out in conspicuous contrast to the other smaller London railways, inasmuch as it has ever prospered in good years and in bad years alike, no conditions and circumstances being able to bring adversity upon it. Even during the past twelve months, when all the other companies have been overwhelmed by misfortunes and when disaster after disaster has overtaken them, the North London goes on its way rejoicing. Therefore, the common-sense question puts itself, If the North London can do so well in adverse times, when coal and materials are dear, and trade bad, why cannot the other railways do likewise? The question is more easily put than answered; nevertheless, it is one our railway directors might ponder over in their leisure moments, and endeavour to give a satisfactory answer to. That the North London has always been an exceptionally well managed railway is beyond question, and in all probability this, and no other, accounts for the prosperity it has never failed to enjoy.

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It is a small railway, and runs through a densely-populated part of London, and that is much in its favour; but, on the other hand, it has to contend with a great deal of competition from trams and buses, and yet it manages to hold more than its own; and if it can do this, why cannot our Metropolitan railways do it? Evidently because the comfort and convenience of the passengers have been studied, and because one can travel through nearly the whole length of it and breathe pure air; and if our Metropolitan railways had followed its example, they would not have suffered so much distress, and would not have to lament the accumulating evils that have overtaken them.

The capital of the North London is made up as follows: £2,020,400 ordinary stock; £700,000 first preference stock, 1866, ranking for a minimum dividend of $4\frac{1}{2}$ per cent., with an equal share in profits up to 5 per cent. with the ordinary, after the latter has received $5\frac{1}{2}$ per cent. in each year (the extra $\frac{1}{2}$ per cent., making the total dividend for the year 5 per cent., is paid in respect of the half-year to December 31); £250,000 second preference, 1875, bearing $4\frac{1}{2}$ per cent.; and £970,866 debenture stock, of which £964,366 bears $4\frac{1}{2}$ per cent. interest, and the remainder 4 per cent.

The following table gives the dividends paid on the ordinary shares each half-year since 1885, their highest and lowest prices, and the balances carried forward :

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Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.
			£	£
1885 . .	179½	168	7½ 3,100	7½ 2,219
1886 . .	189	177	7½ 2,010	7½ 2,976
1887 . .	199	177	7½ 3,008	7½ 2,963
1888 . .	200	186½	7½ 2,914	7½ 3,128
1889 . .	205	193	7½ 2,779	7½ 5,513
1890 . .	201	192	7½ 6,185	7½ 6,160
1891 . .	201	195	7½ 5,510	7½ 6,114
1892 . .	208	197½	7½ 5,331	7½ 1,858
1893 . .	213	185	6½ 2,528	7 3,547
1894 . .	212	187	7¼ 4,680	7 3,794
1895 . .	213½	204½	6¼ 3,223	7¼ 3,302
1896 . .	228	206	7½ 3,250	7½ 4,714
1897 . .	232	222	7½ 6,213	7½ 7,061
1898 . .	232	219	7½ 7,108	7½ 7,253
1899 . .	223	215	7½ 7,532	7½ 7,233
1900 . .	217	200½	7½ 2,625	7½ 3,323
1901 . .	204⅞	165	6 3,701	... ..

In spite of the competition which this company may have to face in the future, its prospects are not likely to be very seriously affected. It may not enjoy its old prosperity, but it promises to maintain dividends at a high rate, and that, unfortunately, cannot be said of many of our other railway companies.

The following was the report of the directors for the half-year ending June 30 last :

The report of the directors of the North London Railway for the half-year ended June 30 last, to be presented at the meeting to be held in London on the 9th inst., states that the capital account has been increased during the half-year by the issue of £13,000 consolidated stock. The net expenditure

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on this account amounts to £4,561, and is in respect of new works and sidings at Bow, stables for the Great Western Company at Poplar, and additional rolling-stock. The gross receipts for the half-year amount to £273,551, a decrease of £5,357, and the expenses to £166,480, an increase of £3,952, the percentage of working expenses to gross receipts being 60·86, against 58·27. The receipts from passenger traffic have been adversely affected by the competition of the Central London Railway, in conjunction with electric tramways, by general slackness in trade, and also by the continuous fine weather, which, more especially during mornings and evenings, has been favourable to open-air travelling by tramway and omnibus. The decrease in the receipts from minerals is due principally to a smaller tonnage of sea-borne coal traffic dealt with at Poplar Docks for forward transit, and the receipts from live stock traffic show a small diminution. The increase in working expenses arises from the continued high price of locomotive coal and other materials, and in connection with (1) the quinquennial valuation of the company's property for parochial assessment; (2) watching and opposing Bills in Parliament; and (3) the inquiry before the Royal Commission on the Port of London.

There is also a large additional debit for rates and taxes, due chiefly to a higher rate in the pound in most of the Metropolitan boroughs and parishes through which the railway passes. The reassessment of the company's property in the parish of St. Botolph, Bishopsgate, is still outstanding, and has been referred to arbitration. The net result of the half-year's working, after payment of interest on the debenture capital, is a balance to the credit of revenue of £86,078, from which the declaration of dividends for the half-year is recommended as follows: Preferential consolidated stock (1866) at the rate of $4\frac{1}{2}$ per cent. per annum; second preference consolidated stock (1875) at the rate of $4\frac{1}{2}$ per cent. per annum; consolidated stock at the rate of 6 per cent. per annum, leaving a balance of £3,701 to be carried forward, against £2,626. Mr. George Bolland Newton, having resigned the position of secretary and general manager, the Board recommend his election as a director. To carry out the recommendation, resolutions increasing the number of directors to eleven,

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and their remuneration to £3,000 per annum, will be submitted to the meeting. The Board, having decided to separate the post of general manager from that of secretary, have appointed Mr. Frederick John Dunn, the traffic superintendent, as manager, and Mr. John Hyde, the registrar and chief assistant to Mr. Bolland Newton, as secretary.

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Although this is a progressive little railway, it is a much less prosperous company than the North London. It has been well managed, and although it has had to face keen competition from its neighbour, the Great Eastern, it has managed to hold its own, and as it promises to keep on holding its own, that says not a little for its prospects. In spite of the adverse conditions that have affected our railways during the past half-year, the London and Tilbury has suffered only to a slight extent, the profit being £69,297, against £70,148 in the corresponding period of last year, whilst the dividend paid upon the ordinary stock is precisely the same.

The company was formed in 1862, and its capital is made up as follows: £1,588,620 ordinary stock; £400,000 4 per cent. preference stock; £304,100 consolidated 4 per cent. preference stock, 1887; £300,000 4 per cent. preference stock, 1891; and £825,000 4 per cent. debenture stock. The debenture stock rose from £240,000 in 1881 to £825,000 in 1900, the preferential capital from £324,000 to £1,096,290, and the ordinary capital from £755,190 to £1,588,542, whilst during the same period the gross receipts advanced from £116,207 to £408,424. Up to November 24 it shows an aggregate increase in its gross traffic of over £5,000, so that there is

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not likely to be any falling-off during the current half-year.

The company has always paid good and regular dividends upon its ordinary stock, and the following table gives the distributions of each half-year since 1885, the highest and lowest prices, and the balances carried forward :

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1885 . . .	159	143	3½	3,534	8½	694
1886 . .	157¾	140½	3	667	8	226
1887 . .	143¾	132	3	393	7½	691
1888 . .	135½	121½	2½	2,043	6½	1,683
1889 . .	133¾	118½	2½	1,654	6½	2,111
1890 . .	128	102½	2½	359	4½	916
1891 . .	110¾	95	2	1,023	5½	1,610
1892 . .	118½	108	2½	481	5¼	713
1893 . .	114¾	104	2½	425	5	452
1894 . .	117	104½	2½	786	5½	357
1895 . .	123¾	115	2½	762	5¾	500
1896 . .	136¾	118	2¾	813	6	820
1897 . .	137	127	2½	7,573	6¼	14,592
1898 . .	143	132	3	15,356	7	21,966
1899 . .	154½	140¾	3½	23,504	7	30,144
1900 . .	152	140	3½	34,418	7	5,574
1901 . .	147	139	3½	...	...	...

This is a really good record for such a company, and it is a record which it promises to maintain, whilst it is within the bounds of probability that it will improve upon it, with the increase of traffic that may be expected in the future.

The following was the report of the directors for the past six months :

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The report of the directors of the London, Tilbury, and Southend Railway Company for the half-year ended June 30 last, to be submitted to the meeting to be held on the 1st prox., states that the gross receipts for the half-year amount to £191,275, as compared with £178,901 for the corresponding period of 1900, an increase of £12,374. The gross expenses amount to £121,977, as compared with £108,752, being an increase of £13,225. The net result is a profit balance of £69,297, as compared with £70,149 for the corresponding half-year of 1900. After providing for rent, interest on debenture stock, guarantees, etc., the balance of net revenue is £57,282. This sum enables the directors, after providing for preferential charges, to recommend the payment of a dividend upon the ordinary stock for the past half-year at the rate of £3 10s. per cent. per annum, leaving a balance of £5,347 to be carried forward. The dividend for the corresponding period of 1900 was at the same rate. The expenditure on capital account during the half-year has amounted to £69,783. The traffic for the past half-year, compared with the corresponding period of 1900, shows increases under all heads—namely, passenger traffic, £10,927; merchandise, £630; minerals, £306; and live stock, £44. The Bill promoted by the company has passed through Committees of both Houses of Parliament, and now awaits the final stages before receiving the royal assent. The Bill, as amended, with the approval of the proprietors, contains provisions for raising additional capital to the extent of £225,000 and 75,000 borrowing powers. The works of the Whitechapel and Bow Railway are making steady progress, and it is expected that the line will be ready for opening by Easter next. The capital of £660,000, authorized by the Whitechapel and Bow Railway Act, 1897, has been subscribed in equal proportions by the London, Tilbury, and Southend and Metropolitan District Railway Companies, and both those companies, by resolutions passed at special general meetings, have authorized their respective Boards to subscribe the additional capital authorized by the Whitechapel and Bow Railway Act, 1900—namely, £300,000. Pending the issue of this capital, arrangements will be made so that the works shall proceed without interruption.

CHAPTER XXV

THREE PROVINCIAL RAILWAYS

NEXT to the North-Eastern, the Lancashire and Yorkshire is the principal provincial railway. Although its length is small in comparison with the great lines of the country, its capital is a very large one, and takes rank next to the 'heavy lines.' But as it serves a densely populated part of the country, right in the heart of the great manufacturing and other principal industries, its traffic is very heavy; hence its gross revenue is considerable all the year round. On the whole, the company has been well managed, and it has been a good and consistent dividend-payer for over twenty years, to go no further back. But during the past half-year it has suffered adversity, and was able to pay a dividend of only 3 per cent., against $4\frac{1}{2}$ per cent. in the corresponding period of 1900. There was a considerable decline in the goods and mineral earnings, but the effects of this have been minimized to some extent by a reduction in the train mileage of 287,000 miles, or 8·7 per cent. The company has also been experimenting with heavier loads,

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and therefore shareholders are encouraged to hope from this that there will be greater savings under these heads in the future.

The following table gives the gross earnings, expenses, net earnings, charges, and dividends for the half-years ending June, 1900, and June, 1901:

	1901. £	1900. £	Increase - Decrease	
			£	%
Gross earnings ...	2,575,000	2,619,000	- 44,000	- 1·68
Expenses :				
Wages ...	768,000	776,000	- 8,000	- 1·03
Materials ...	171,000	150,000	+ 15,000	+ 9·61
Coal ...	176,000	130,000	+ 46,000	+ 35·38
Miscellaneous ...	483,000	473,000	+ 10,000	+ 2·11
Total ...	1,598,000	1,535,000	+ 63,000	+ 4·11
Ratio ...	62·06	58·61		
Net earnings ...	977,000	1,084,000	- 107,000	- 9·90
Miscellaneous In- come ...	...	9,000	- 9,000	...
Total ...	977,000	1,093,000	- 116,000	...
Interest on Deben- tures, etc. ...	286,000	277,000	+ 9,000	...
Interest on Prefer- ence ...	442,000	440,000	+ 2,000	...
Total ...	728,000	717,000	+ 11,000	...
Profit for Ordinary Dividend on Ordin- ary ...	249,000	376,000	- 127,000	- 33·77
	(3%) 251,000	(4½%) 376,000	- 125,000	...
Balance ... Dr.	2,000	...	- 2,000	...
Brought forward...	23,000	23,000	...	...
Carried forward ...	21,000	23,000	- 2,000	...

The capital of the company is made up as follows: £16,740,995 ordinary stock; £28,365,287 guaranteed and preference stocks; and loans and debentures.

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tures £18,328,837, making a total of £63,435,119. The debenture capital rose from £8,176,182 in 1881 to £17,753,227, in 1900; its preferential capital from £12,651,043 to £28,148,888; and its ordinary capital from £14,192,995 to £16,740,995, whilst its gross receipts advanced during the same period from £3,659,903 to £5,398,961.

The following table gives the dividends paid on the ordinary shares since 1885, with their highest and lowest prices, and the balances carried forward at the end of each half-year:

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1885 . .	117 $\frac{1}{2}$	104 $\frac{1}{4}$	3 $\frac{1}{4}$	14,468	3 $\frac{1}{4}$	13,300
1886 . .	115 $\frac{1}{4}$	99 $\frac{1}{4}$	3	17,430	4	31,901
1887 . .	123 $\frac{1}{2}$	113 $\frac{1}{2}$	3 $\frac{3}{4}$	23,265	4 $\frac{3}{4}$	21,264
1888 . .	121 $\frac{3}{4}$	113 $\frac{3}{4}$	3 $\frac{3}{4}$	13,000	4 $\frac{1}{2}$	21,000
1889 . .	127 $\frac{1}{4}$	117	4 $\frac{1}{4}$	21,740	4 $\frac{3}{4}$	26,318
1890 . .	125 $\frac{3}{4}$	115 $\frac{3}{4}$	4	19,944	4 $\frac{1}{2}$	26,725
1891 . .	118	105 $\frac{1}{4}$	3 $\frac{1}{2}$	14,525	4 $\frac{1}{4}$	18,641
1892 . .	111 $\frac{3}{8}$	103 $\frac{1}{8}$	3 $\frac{1}{4}$	20,139	4	20,962
1893 . .	109 $\frac{1}{4}$	102 $\frac{1}{2}$	3 $\frac{1}{4}$	21,265	3	13,530
1894 . .	115 $\frac{3}{4}$	102 $\frac{1}{2}$	3 $\frac{1}{2}$	22,156	4 $\frac{1}{2}$	28,355
1895 . .	130 $\frac{3}{4}$	113 $\frac{3}{4}$	3 $\frac{3}{4}$	25,367	5 $\frac{1}{4}$	28,673
1896 . .	153 $\frac{3}{8}$	127 $\frac{1}{2}$	5	28,139	5 $\frac{3}{4}$	29,190
1897 . .	156	142	5	21,422	5 $\frac{1}{4}$	21,495
1898 . .	150 $\frac{1}{2}$	144	5	21,607	5 $\frac{1}{2}$	22,227
1899 . .	152 $\frac{1}{2}$	140	5	22,253	5 $\frac{1}{2}$	23,161
1900 . .	147	128 $\frac{1}{2}$	4 $\frac{1}{2}$	22,882	4 $\frac{1}{4}$	23,519
1901 . .	132 $\frac{1}{2}$	105	3	21,505

The report of the directors for the past six months said:

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The expenditure charged to capital account during the past half-year amounts to £554,146, under the following heads: Land and enlargement of stations, £215,932; working stock, £164,914; new lines and works, £143,309, making a total of £554,146. The receipts and disbursements during the half-year were as follows:

RECEIPTS.

	1901. £		+ Increase or - Decrease. £
Passengers, parcels and mails ...	1,069,719	...	+ 8,747
Goods, minerals and live stock ...	£1,604,931		
Less: Collection and delivery ...	145,898		
	<hr/> 1,459,033	...	- 45,320
Mileage and demurrage ...	9,757	...	- 2,410
Rents ...	33,257	...	- 1,131
Fleetwood and Belfast steamers (Lancashire and Yorkshire Com- pany's proportion of profit) ...	3,994	...	- 3,539
	<hr/>		
Total ...	2,575,760	...	- 43,653

DISBURSEMENTS.

Working expenses ...	1,528,592	...	+ 61,134
Rates, taxes and passenger duty	69,904	...	+ 1,879
	<hr/>		
Total ..	1,598,496	...	+ 63,013

The gross revenue from all sources shows a decrease of £43,653, and the gross working expenses an increase of £63,013, resulting in a balance on revenue account of £977,264, as compared with £1,083,930 in the corresponding half-year. In the net revenue account there is an increase of £7,223 in the charges for interest on loans and debenture stock, and an increase of £947 in general interest, and a loss in bankers' interest of £9,836. The net revenue balance available for

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distribution is £715,176, as compared with £839,741 in the corresponding half-year. The balance of net revenue account, after meeting the charge for interest on guaranteed and preference stocks and an increased charge of £2,369 for interest on new stock, amounts to £272,620, which is available for dividend on the ordinary stock, out of which the directors recommend the proprietors to declare a dividend at the rate of 3 per cent. per annum, payable on August 8 next, and to carry forward a balance of £21,505 to the next account, as against $4\frac{1}{2}$ per cent. per annum with a balance forward of £22,882 in the corresponding half-year.

The amount of capital expended during the half-year for general purposes has been £410,837, against £426,081 authorized by the shareholders at the last half-yearly meeting. At the ensuing meeting the directors will ask for authority to expend £388,810 on capital account for general purposes during the current half-year. The Lancashire and Yorkshire Railway Various Powers Bill, and also the Lancashire and Yorkshire Railway (Dearne Valley Junction Railways) Bill, which were referred to in the last half-yearly report and fully explained at the half-yearly meeting, have passed both Houses of Parliament, and will, no doubt, shortly receive the royal assent.

In his speech at the meeting of the company the chairman said that the total number of passengers carried was 29,644,588, being a decrease of 787,668, in which we see a contrast between this and other railways, whose misfortunes have been lightened by increases in the passenger traffic. It was difficult, he said, to give any particular reason for this, but there was no doubt, he thought, that the company had suffered considerably from the competition of tramways in the suburbs of large towns. So it is apparent from this that the company must expect to meet this competition in the future, and

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in all probability find it increase, a contingency that must not be lost sight of by shareholders and investors. Furthermore, he thought it must be apparent to everyone that in the depressed state of trade there was less money in the pockets of the working-classes available for travelling, and this explanation would hold good had we not evidence to the contrary all over the country from the growing receipts from passenger traffic on all other lines.

The amount paid to the families of reservists, he went on to say, had been £735, the total amount paid since January, 1900, having been £2,569. In the locomotive department there was the large increase of £51,105 in the total expenditure, of which amount £46,591 was for coal and coke, the average price of which had been 13s. 4½d. per ton, compared with 9s. 6½d. last year—an increase of 3s. 10d. per ton, and compared with 1889 an increase of 5s. 10d. per ton. That alone would account for a falling-off of nearly 1 per cent., whilst the decrease in traffic more than accounted for the other ½ per cent. They had now adopted a system under which goods and coal trains were made up to a tonnage basis equal to the haulage capacity of the engine, and not, as hitherto, upon a given number of waggons, which enabled them to utilize their locomotive power to the fullest extent, and to reduce the number of trains running over the system, thereby not only effecting a saving in running expenses, but relieving the congestion which prevailed at many points on the line. It

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was principally to that, he said, that the shareholders must look for future economies.

There is no doubt that this company will have to work very economically in the future, and especially in the immediate future, if it is to be restored to its old prosperous condition. Steps are being taken in the right direction, and shareholders have some need to be thankful for that. The immediate outlook—the outlook for the current six months—is fairly promising. Up to November 24 there are increases both in the passenger and goods traffic, amounting in the aggregate to £19,000. During that week the directors announced their intention to issue £1,650,000 of new ordinary stock, and this depressed the shares considerably. It will be seen from the table I have given that the price of the ordinary has been as low as 105, thus showing a considerable fall this year. There is evidently a prospect, however, that the dividend will be maintained. At any rate, the directors will keep it up if it is possible to do so by any effort on their part. Let us hope their efforts to economize will be crowned with success.

THE FURNESS RAILWAY.

Some twenty years ago the Furness Railway was a most prosperous undertaking, but since then there has been a steady decline in its prosperity, until it reached its climax in the last half-year, though it was not by any means the worst in its history. Depending as it does upon mineral traffic, it is one of the first to feel acutely any

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depression in the iron and steel trades, and as these industries have been exceedingly depressed during the past six months, the consequences are seen in the decreased traffic receipts of the Furness. But whilst there has been a falling-off in the mineral traffic, it has been off-set by a considerable improvement in the passenger traffic, thus giving us a direct contrast to the Lancashire and Yorkshire, and proving that trade depression has had no effect upon the money available for railway travelling.

The capital of the company is made up as follows: £2,642,000 consolidated ordinary stock; £779,125 consolidated guaranteed stock, 4 per cent., non-contingent; £1,300,750 consolidated preference stock, 4 per cent., contingent; £350,000 preference stock A, 1881, 4 per cent., contingent; £200,000 preference stock B, 1883, 4 per cent., contingent; and £2,622,728 3 per cent. debenture stock. The debenture capital increased from £1,453,366 in 1881 to £2,262,728 in 1900, its preferential capital from £2,167,375 to £2,629,875, whilst its ordinary capital has stood still. On the other hand, the gross receipts at the end of 1900 are not so great as they were at the end of 1881, the figures being £552,300 against £557,616.

The following is the record of the dividends paid on the ordinary shares each half-year since 1885, the highest and lowest prices of the shares, and the balances carried forward at the end of each half-year:

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Year.	Highest.	Lowest.	First Half- Year.	Second Half- Year.
			£	£
1885 . .	107	98 $\frac{1}{2}$	2 $\frac{1}{2}$ 1,927	2 2,057
1886 . .	106 $\frac{1}{2}$	86 $\frac{1}{4}$	2 960	2 1,653
1887 . .	108	88 $\frac{1}{4}$	2 1,404	2 $\frac{1}{2}$ 1,735
1888 . .	106 $\frac{3}{4}$	92 $\frac{1}{4}$	2 $\frac{1}{2}$ 755	3 3,417
1889 . .	119 $\frac{3}{4}$	102 $\frac{1}{2}$	3 $\frac{1}{2}$ 1,844	5 2,632
1890 . .	119 $\frac{3}{4}$	98	4 3,039	3 $\frac{1}{2}$ 3,523
1891 . .	104 $\frac{1}{2}$	85	2 $\frac{1}{2}$ 3,133	3 3,613
1892 . .	93	73 $\frac{1}{4}$	nil 4,172	3 1,285
1893 . .	75 $\frac{7}{8}$	65 $\frac{1}{2}$	1 2,977	1 $\frac{1}{2}$ 3,105
1894 . .	85	65	1 3,155	2 3,385
1895 . .	71 $\frac{1}{2}$	61 $\frac{1}{2}$	nil 3,436	1 3,321
1896 . .	78	59 $\frac{1}{2}$	1 3,797	2 5,428
1897 . .	78 $\frac{1}{2}$	66 $\frac{3}{8}$	1 $\frac{1}{2}$ 4,823	2 7,895
1898 . .	78	62 $\frac{1}{2}$	2 5,062	3 7,134
1899 . .	93 $\frac{1}{2}$	74	3 5,104	4 7,137
1900 . .	100 $\frac{1}{2}$	81	3 $\frac{1}{2}$ 7,918	3 $\frac{1}{2}$ 6,261
1901 . .	87	69 $\frac{1}{2}$	2 1,594	... ..

The following was the report of the directors for the past six months, ending June 30:

The accounts of the Furness Railway Company for the half-year ended June 30 show that at the previous half-yearly meeting an expenditure of £59,313 on capital account was authorized, of which £38,981 has been expended. Credits for land sold and for the sale to Messrs. Vickers, Sons and Maxim of cranes, wharves, etc., in connection with their works, amount to £39,389, leaving a credit on capital expenditure account of £407. The directors regret that the depression in the iron and steel industries of the Furness and West Cumberland districts, in consequence of which there have been in blast eight furnaces less than in the corresponding period, should have occasioned the large diminution in goods and mineral traffic of £30,478. Now that the exceptionally high prices for fuel and other raw material have fallen, it is hoped

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that these furnaces will, at no distant period, be again put in blast.

The passenger traffic continues its upward movement. The number of passengers carried in excess of those in the corresponding period of the previous year was 55,188, with increased receipts to the amount of £2,894. The negotiations for increased remuneration for services rendered to the Postmaster-General in the conveyance of mails have resulted in the contract payment being advanced by £1,000 per annum from March 19, 1900, and an additional amount of £1,310 has, in consequence, been received from the Post-Office in the half-year on this account. The following is a comparison of the receipts for the half-year ending June 30: Passengers, £50,293, increase £2,894; parcels, horses, carriages, mails, etc., £12,688, increase £1,348; goods, live stock, and minerals, 179,547, decrease £30,477; miscellaneous, £10,048, decrease £2,106; total, £252,578, against £280,919 for the corresponding half of last year, a decrease of £28,341. The working expenses amount to £129,751, as compared with £134,099 for the same half of 1900. The locomotive coal-bill shows an increase of only £224. Contracts for further supplies have been made at prices which will show a very substantial saving. The net receipts are £122,826, being £23,993 less than those for the corresponding period of last year. The amount required to provide interest upon debenture stock and dividends upon the guaranteed and preference stocks is £98,025, leaving £28,014 for dividend upon the ordinary stocks. The sum of £26,420 will be applied in payment of a dividend upon the ordinary stock at the rate of 2 per cent. per annum, carrying forward £1,594, compared with $3\frac{1}{2}$ per cent. last year, and carrying forward £7,918. The work in connection with the lowering of the Ramsden Dock lock sill has been completed, and the docking and undocking of vessels has been resumed with the great advantage of 6 feet additional depth of water. The question as to the extra cost incurred in the work owing to the unfortunate subsidence at the North Pier head has not yet been settled. The issue of £100,000 additional 4 per cent. preference stock has been made to the shareholders who applied for allotments in proportion to their several holdings, at the price of £105 for each £100 of stock.

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THE HULL AND BARNSELY RAILWAY.

The Hull, Barnsley, and West Riding Junction Railway and Dock Company, to give it its full title, has been anything but a prosperous undertaking. It has never paid anything like a fair dividend on its ordinary shares, and there seems little prospect now that it ever will. It was formed as recently as 1880, but as its interest on the debenture stock and debentures due on January 1, 1887, were not met, the line was placed in the Receiver's hands till November, 1889, in which year it obtained a special Act, permitting it to charge to capital account arrears of interest amounting to nearly half a million.

The capital of the company is made up of £3,300,000 in consolidated stock; £585,000 in $3\frac{1}{2}$ per cent. preference stock, contingent; £1,578,947 in first 3 per cent. debenture stock, and £2,000,000 in second 3 per cent. debenture stock.

The following table gives the record of dividends paid on the ordinary stock since 1890, the highest and lowest prices of the shares, and the balances carried forward.

It will be seen from the table that there has been a slight improvement in the position of the company, whilst the improvement has been even more pronounced during the past half-year, the receipts having been the largest in its history, with the exception of those for the June half of last year. But the expenses also show a great increase, and as long as this militates against any improve-

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Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1890 . .	41 $\frac{3}{4}$	34	nil	Dr. 6,701	nil	5,407
1891 . .	41 $\frac{3}{8}$	31 $\frac{3}{8}$	nil	593	$\frac{3}{4}$	2,950
1892 . .	41 $\frac{1}{4}$	32	nil	4,575	nil	5,277
1893 . .	33 $\frac{7}{8}$	20	nil	Dr. 10,446	nil	Dr. 10,155
1894 . .	34 $\frac{3}{4}$	26	nil	Dr. 4,270	nil	2,597
1895 . .	39 $\frac{5}{8}$	30 $\frac{1}{2}$	nil	1,760	nil	8,354
1896 . .	45 $\frac{1}{4}$	32 $\frac{5}{8}$	nil	20,371	2	10,285
1897 . .	56 $\frac{3}{8}$	43 $\frac{1}{2}$	nil	24,449	1 $\frac{3}{4}$	8,952
1898 . .	59	45 $\frac{1}{4}$	nil	42,268	3	18,440
1899 . .	62 $\frac{3}{4}$	46 $\frac{3}{4}$	nil	31,268	3	11,252
1900 . .	66 $\frac{5}{8}$	49 $\frac{1}{4}$	1	25,996	2	24,147
1901 . .	58 $\frac{3}{4}$	42 $\frac{7}{8}$	nil	...	...	...

ment in the traffic, the prospects of good dividends on the ordinary are remote.

The following was the report of the directors for the past half-year:

The report of the directors of the Hull, Barnsley, and West Riding Junction Railway and Dock Company for the half-year ended June 30 last, to be submitted to the meeting to be held on the 15th inst., states that the accounts show a gross revenue from all sources of £211,318, as compared with a gross revenue of £240,540 in the corresponding half-year of 1900. The working expenses have been £138,869, being at the rate of 65·72 per cent. upon the gross revenue. In the corresponding half-year of 1900 the working expenses were £138,989, being at the rate of 57·78 per cent. upon the gross revenue. The net revenue for the half-year amounts to £72,449, against a net revenue of £101,551 in the corresponding half-year of 1900. After paying the fixed and other charges, there remains a balance on the half-year of £17,631 which with £9,147, being the balance brought forward (namely, £14,147 less £5,000 transferred to engine repairs and renewal account), leaves £26,778, as compared with £59,773 in the corresponding half-

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year of 1900. Out of this the contingent additional interest at the rate of 1 per cent. per annum on the second debenture stock, amounting to £10,000 for the half-year, has been paid, leaving a balance of £16,778 to be carried forward. It will be seen that the full dividend chargeable to revenue for the half-year on the $3\frac{1}{2}$ per cent. preference stock has been earned, but the distribution will not be made until the accounts for the whole year are before the proprietors. Ships of a total tonnage of 594,851 tons have entered the Alexandra Dock during the half-year in the following proportions (exclusive of vessels entering for use of dry docks only), namely: Steamships 512,095 tons and sailing ships 82,756 tons, being a decrease of 48,286 tons compared with the corresponding half-year of 1900. The principal falling-off in the company's receipts has been in minerals, which is entirely accounted for by the large decrease in the coal traffic. Every economy, consistent with the proper maintenance of the property and provision of the necessary facilities for the company's business, has been effected; but notwithstanding this, the gross expenditure is practically the same as in the corresponding period, in consequence of the higher rates of wages paid and increased prices of coal and materials. Five of the twenty additional locomotive engines referred to in the last report have been received during the half-year. The remaining fifteen will, it is anticipated, all be delivered by the end of the present year. The contractors have not yet completed the construction of the Hull and South Yorkshire Extension Railway, but it is fully expected it will be ready for opening in two or three months from this date. With reference to the company's Bill in this session, the directors decided, in consequence of circumstances arising immediately before the hearing by the committee, to withdraw, for the present session, that portion of the Bill which sought powers to connect with the Maltby coalfield and the district of Rotherham. The other portion of the Bill received the royal assent on July 2.

The chairman, in moving the adoption of the report, said that while a decrease of nearly £30,000 in receipts was on the face of it not satisfactory, they must not forget that they were comparing with by far the largest June half-year that they had ever had—one showing £42,000 more than any preceding June half-year. They could derive some comfort from the

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fact that the receipts for the last half-year were, with the exception of the one referred to, larger by £13,000 than any preceding June half-year. The working expenses were practically the same, but the ratio, compared with the gross revenue, had gone up 8 per cent. Having regard to the experience of other railway companies, the present ratio, though high, need cause no surprise or real uneasiness. On the contrary, he felt the comparison warranted them in having a feeling of satisfaction on the ground that they knew that with a healthy and large gross revenue and reasonable prices for coal, materials, and stores, the ratio of working would compare favourably with that of other companies. If the earnings per passenger train mile had been equal to those of the North-Eastern Company, their passenger receipts would have had an increase of £24,000, which could have been earned at practically no additional expense. It was satisfactory that they had been able to pay out of the half-year all fixed charges, the further contingent additional interest on second debenture stock, amounting to £10,000, and to have earned the full dividend chargeable to revenue on the $3\frac{1}{2}$ per cent. preference stock, with a small balance over. Although the directors did not recommend any distribution of dividend until the accounts for the whole year were before the proprietors, it must not be understood that they did this from any want of confidence in the future. The principal falling-off in receipts had been in minerals, accounted for by the decrease in the coal traffic, which, they were informed, had been adversely affected by the imposition of the tax on coal. It came very unfortunately to the company, in causing it to lose a large amount of coal traffic at a time when they had laid themselves out to deal with an increased traffic. The chairman pointed out that in estimated further expenditure £40,000 had been allocated to the new joint dock, which was to be built jointly with the North-Eastern Railway Company at Hull. The amount was to be expended during the next half-year. Alluding to an increase in rates and taxes, Mr. Trotter said that, having regard to the general increase in the ratio of working expenses of railways, it was becoming a very serious question as to whether railway companies should not have some voice in local expenditure, or that the basis of assessment should be adjusted to the altered cost of railway working.

CHAPTER XXVI

LEADING WELSH RAILWAYS

WHEN we come to compare the results of the leading Welsh railways during the past six months we find that though they have all suffered to a more or less extent from depression in trade and the high prices of fuel, still, they have not suffered, taking them in the aggregate, to so great an extent as the English railways. These railways present a strange contrast to each other, for whilst one or two pay good dividends on the ordinary stocks—and better dividends even than the leading English railways—the others have not the wherewithal to pay such dividends, and no man can predict when they will be relieved from their chronic state of impecuniosity. Although we find increases in the gross receipts, no company is in a position to pay an increased dividend, and whilst the Barry and the Taff Vale maintain their distributions, the Rhymney shows a decline from 9 per cent. to 6 per cent., which is certainly a considerable drop for such a company. The Rhymney is the only one that shows a decrease in gross earnings, but it is of

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very trifling amount, being £129,960 against £130,482, but in the net receipts there is a decline of over £10,000, of which about £6,900 was for locomotive power. The result is a reduction of £13,000 in the amount available for dividend, which fully accounts for the decline I have mentioned. Last year the sum of £3,900 was carried forward, but this year there is left a balance of only £300. This has been the worst period the company has experienced since 1898, the year of the strike, but in their report the directors say they see better times ahead, both as regards larger revenue and reduced expenditure, and it is to be hoped that their sanguine expectations are well founded.

The Rhymney Company has been a successful company ever since its incorporation, though, of course, it has had its ups and downs like other lines. The company was formed in 1854, and its capital is made up as follows: £425,966 undivided ordinary stock, £220,432 and £220,432 preferred ordinary and deferred ordinary stock. By Act of Parliament obtained in 1895, the ordinary capital was duplicated and came into force two years later. Dividends are still declared on the ordinary stock as if undivided, and on the portion accruing to the divided stocks the preferred ranks for dividends of 4 per cent. per annum on each separate year, the deferred taking any surplus, though the dividends on the latter are paid once a year. The remainder of the capital is made up of £5,340 6 per cent. preference stock, participating with the ordinary stock above 6 per cent. per annum, £979,740 4 per cent. preference stock, 1889, and £421,699 4 per cent.

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debenture stock. The debenture capital increased from the year 1885 from £330,337 to £457,300, its preferential capital from £736,000 to £985,080, and its ordinary capital from £380,416 to £646,398, whilst during the same period its receipts rose from £168,696 to £256,852.

The following table gives the record of the dividends paid on the ordinary shares each half-year since 1885, the highest and lowest prices of the shares, and the balances carried forward, from which it will be seen that the company has paid some very high dividends, that the ordinary shares have been good investments, and it is to be hoped, therefore, that the reverse in its fortunes which it has lately experienced is only temporary :

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1885 . .	190	133	10	4,380	10	5,722
1886 . .	191½	180	10	3,788	8	461
1887 . .	182	150	10	1,233	8	49
1888 . .	204	150½	10	2,387	9	173
1889 . .	202½	149	10	2,582	6	2,288
1890 . .	164	138	7	651	6	379
1891 . .	170	141¾	6½	418	8	3,236
1892 . .	199	170	10	1,624	7	339
1893 . .	252	193	7	1,233	6	1,291
1894 . .	210	188	7½	2,475	8	1,382
1895 . .	265	199	7½	169	8½	630
1896 . .	282	254	10	596	10	483
1897 . .	287	272	11	1,642	10	2,237
1898 . .	271	237	...	9,943	3 (yr.)	113
1899 . .	282	245	10	1,729	10	2,617
1900 . .	260	207½	9	3,937	7	214
1901 . .	212½	162½	6	300

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The first dividend paid on the deferred converted was in 1899, when 6 per cent. was paid for the year. In the following year 4 per cent. was paid.

THE TAFF VALE RAILWAY.

The Taff Vale Railway is the leading and one of the most prosperous of the Welsh railways, and it has been a big and regular dividend-payer since its incorporation. This company shows an advance in its gross receipts during the past half-year, but as a set-off against this there was a considerable increase in the expenditure, so that there was only a slight improvement in the net profit. Passenger traffic was, however, responsible for nearly the whole of the enhanced revenue, and this makes the advance in expenditure more appreciable and less accountable. The net revenue was further handicapped by the interest on the new 4 per cent. preference stock of £500,000, which took as much as £9,500 from the divisible profits. Thus, the ordinary stock gets the same distribution as a year ago, the $3\frac{1}{4}$ per cent. being equal to $8\frac{1}{8}$ per cent. on the old ordinary shares, while £1,609 less is carried forward, though it is really a larger balance when we bear in mind the new capital charges of which I have spoken. If this company can do so well, therefore, during an exceptionally adverse period, it proves it has an immense amount of vitality, which encourages us to hope well of its future.

The company was incorporated in 1836. In 1889 an entire reconstruction of its capital took place, its

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various stocks undergoing conversion and consolidation. In this year, owing to the fact that the large dividends paid caused the stock to stand at a very high premium, the company applied to Parliament for permission to convert each £100 of ordinary stock into £250 of a new ordinary stock by increasing the nominal amount to the extent of 150 per cent. Parliament gave this permission, and the conversion was carried out; but in consideration of this watering of the capital, it was provided that the dividend on the new stock should under no circumstances exceed 6 per cent., equal to 15 per cent. on the old ordinary stock, any surplus earnings to be applied to the reduction of tolls. Since then the Barry Company has been a great competitor, and the Taff Vale dividends accordingly fell off, and the average paid since has been about half the amount paid before the Barry was built. The capital of the company consists of £5,192,284 ordinary stock, £2,109,311 4 per cent. preference stock, and £1,362,258 3 per cent. debenture stock. The debenture capital increased from £492,310 in 1885 to £1,362,258 in 1900, its preferential capital from £890,000 to £2,369,285, and its ordinary capital from £1,678,000 to £5,192,284, whilst the gross receipts rose during the same period from £788,751 to £852,477.

The following table gives the highest and lowest prices, the dividends paid each half-year, and the balances carried forward since 1885 :

BRITISH RAILWAY FINANCE

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
			£		£	
1885 . .	271 $\frac{1}{2}$	234 $\frac{1}{2}$	15	1,813	12	1,170
1886 . .	262 $\frac{1}{2}$	212	11 $\frac{1}{2}$	1,358	11	3,311
1887 . .	242	209	14	6,530	13	4,789
1888 . .	247	190	15	4,498	15	2,046
1889 . .	288	208	15	4,683	...	...
Conversion of £100 into £250 new stock.						
	87 $\frac{1}{2}$	80	...	...	4	580
1890 . .	90	63	3	320	3	144
1891 . .	79 $\frac{5}{8}$	69 $\frac{1}{2}$	2 $\frac{1}{4}$	3,028	2 $\frac{1}{4}$	666
1892 . .	81 $\frac{3}{4}$	69	3 $\frac{1}{4}$	1,893	3 $\frac{1}{4}$	5,427
1893 . .	88	75 $\frac{1}{2}$	3 $\frac{1}{4}$	5,877	2 $\frac{1}{2}$	2,691
1894 . .	83 $\frac{1}{4}$	75 $\frac{1}{2}$	3 $\frac{1}{4}$	4,515	3 $\frac{1}{4}$	1,833
1895 . .	84	77	3	3,115	3 $\frac{1}{4}$	4,853
1896 . .	95	78	3 $\frac{1}{4}$	6,996	3 $\frac{1}{4}$	1,816
1897 . .	88 $\frac{1}{2}$	82 $\frac{1}{2}$	3 $\frac{1}{2}$	5,924	3 $\frac{1}{4}$	2,315
1898 . .	85 $\frac{3}{8}$	73	nil	66,328	2 $\frac{2}{5}$	859
1899 . .	87	75	3 $\frac{1}{2}$	2,231	3 $\frac{1}{4}$	3,848
1900 . .	80	66 $\frac{1}{2}$	3 $\frac{1}{4}$	3,648	2 $\frac{1}{4}$	3,207
1901 . .	75	69	3 $\frac{1}{4}$	2,039	...	...

The following was the report of the directors for the six months ending June 30 last :

			1901.		+ Increase or - Decrease.
			£		£
Gross receipts	...	...	447,716	...	+ 18,061
Gross expenditure	...	...	259,373	...	+ 15,198
Balance of revenue	...	...	188,343	...	+ 2,863
Sundry credits	...	...	4,955	...	- 1,369
Total net revenue	...	...	193,290	...	+ 1,494
Less interest on debentures and fixed charges	64,698	...	+ 3,103
Balance available for dividend	128,600	...	- 1,609

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The working expenses amounted to £259,373, or 57·93 per cent. of the gross revenue, against 56·83 per cent. in the corresponding period. The balance of the net revenue account enables the directors to recommend the payment of the dividend at the rate of 4 per cent. per annum on the preference stock, and a dividend at the rate of $3\frac{1}{4}$ per cent. per annum on the ordinary stock (equivalent to $8\frac{1}{8}$ per cent. per annum on the old ordinary stock), payable on August 19, leaving a balance of £2,039 to be carried forward. The expenditure on capital account for the past half-year amounted to £76,357. The Bill referred to in the last report to enlarge the powers of the company with reference to the construction of works and the acquisition of lands has passed both Houses of Parliament, and is now awaiting the royal assent.

The following was from the chairman's interesting speech at the half-yearly meeting of the company.

The chairman, in moving the adoption of the report, said it gave the directors pleasure to present accounts showing a more cheerful aspect and better financial results than had been the case with most railways during the past half-year. It was very satisfactory to think that, after setting aside the usual full reserves on account of maintenance and renewals, they were able to recommend the distribution of the same dividend as was paid in the corresponding half of the previous year. At the same time, the growth of working expenses of railways must render directors more than ever anxious about the supervision and control of the spending departments, and to encourage economies where they could be effected without interfering with the safety of life and the full efficiency of the service. With regard to capital expenditure, £13,000 has been spent in providing increased accommodation at Pontypridd, and after failing on three occasions to obtain powers to construct the Windsor Dock, they had provided four extra tips at Penarth Dock, with the result that they had been enabled to work there a larger tonnage with a despatch which was not equalled by any port in the channel. Taking the revenue account, there had been an increase in first, second, and third-class passengers, but the principal increase was in third-class.

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They had carried 726,345 more passengers, and taken £14,526 more money. There had also been an increase in parcels, and, taking passengers and parcels, the total increase, as compared with the first half of 1900, had been £16,533. In the June half of 1899 their receipts from passengers and parcels were £75,439; in the corresponding half of 1900 they were £82,338; and for the past half-year they had been £98,872, an increase of 20 per cent. over the receipts in 1900, and of 31 per cent. over those of 1899. They could not expect that that increase was going to go on, and they could only hope that they would not go back. The receipts per train mile in 1899 were 5s. 3d., in 1900 5s. 6d., and in the past half-year 6s. 1d. In merchandise there had been an increase of £613 and in minerals £1,370. In the June half-year of 1888, before the Barry Dock was opened, they carried over 5,000,000 tons of coal, which earned all but £300,000. Now they had carried 8,000,000 tons, which had only earned £256,000. In 1888 the average rate of coal carried on their railway was 1s. 1d., whereas it was now a trifle under 7½d. He thought it reflected credit on their management that they were able to pay such good dividends, having regard to that difference in the rates. The total receipts for the half-year exceeded those of the corresponding half-year by £18,061.

On the expenditure side of the account, maintenance of ways and works showed an increase of £2,718, accounted for by increased cost of labour and less credit for materials sold. Locomotive power showed an increase of £6,068, made up by increase of wages, £2,974, increase in materials, over £2,000, and £861, the increased cost of the three locomotives which were always provided each year for renewals. As regards coal, there had been a small saving, owing to their having a contract running during the past half-year at a lower price than that existing in the first half of 1900. Traffic expenses had increased by £2,824, chiefly accounted for by increase of wages. The total expenditure showed a comparative increase of £15,199, and, deducting that from the increased receipts, left £2,863 more to be carried to the credit of the net revenue account. The directors were enabled to recommend a dividend of 3½ per cent., equal to 8½ per cent. on the old stock, and to carry forward a reasonable balance. Referring to the com-

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pany's proceedings arising out of the strike of last year, and the recent judgment of the House of Lords, the chairman said the importance of that judgment to all large employers of labour could not well be exaggerated, for if the conditions were such as to attract men to service so as to secure a supply of the required labour, the business of the employer could always be carried on ; but when men were intimidated in such a manner as to prevent them from fulfilling their engagements, the difficulty of obtaining the necessary labour must be vastly increased. Such interference and intimidation had been resorted to by trades unions, who had backed up strikes and found the organization for the purpose of preventing men taking the places of the strikers. Trades unions had considered that they could perform such illegal acts with impunity, but now if they attempted to do so they would be answerable for the consequences, and liable to make good from their funds the loss thereby occasioned to the employers. It was evident that in the face of their judgment, they would not act in the future as they had done in the past. Their power to promote and engineer strikes would be most seriously crippled, and he thought most properly so. The decision would render strikes on railways more difficult, and if they occurred, there would always be found an ample supply of competent men ready to fill the vacancies caused by the strikers, and so prevent the business of the companies being interfered with.

THE BARRY RAILWAY.

The Barry Railway has been a most successful company right from its incorporation, and the dividends it has paid have not only been wonderfully regular, but they have been as high as any paid by any railway in the United Kingdom, whilst its ordinary stock has been quoted higher than any other railway ordinary stock.

The company was incorporated in 1884 as the Barry Dock and Railway Company, and in 1891

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balance of £1,343 to be carried forward. The deep lock was reopened on February 25. In view of the fact that the wall which has been restored has been greatly strengthened, and that other new works have been executed in connection therewith, of the total cost the sum of £20,000 has been charged against capital. The balance—£32,631—has been placed to the debit of the net revenue account. The Rhymney branch was opened for traffic on August 1. The Bill presented to Parliament, seeking an extension of time for the completion of the works authorized in 1896, which was approved by the shareholders on May 17 last, has passed both Houses of Parliament and received the royal assent.

THE CAMBRIAN RAILWAYS COMPANY.

In complete contrast with the railways preceding is the Cambrian Railways, which, though it was incorporated as far back as 1864, has paid no dividend on the ordinary shares, whilst the preference have likewise been in default, and in some years even the full dividends on all the debenture stocks have not been met. In the year 1885 the company had to come to an arrangement with its creditors, when a considerable portion of its interest in arrear was capitalized. The debenture stock is made up as follows: £926,395 A debenture stock, ranking for 4 per cent., cumulative; £750,000 B debenture stock, 4 per cent., cumulative; £400,000 C debenture stock, 4 per cent., cumulative; and £392,829 4 per cent. debenture stock, non-cumulative. Whilst the interest on A, B, and C debenture stock has been regularly paid, the D debentures have been paid in full only during recent years, whilst the four classes

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of preference stock are still waiting for their maiden dividend, and it is likely that they will have to wait patiently for some years yet.

During the past six months the company showed an improvement of over £4,000 in its gross receipts, but the expenditure augmented to such an extent that the net receipts showed a decrease of nearly £5,000; but as the major portion of this was due to the high price of coal, it would be more humane to pity the directors rather than severely to criticise them. At any rate, it shows little or no improvement in the position of the company, and precious little prospect of the preference shares getting their first dividend, whilst as for the ordinary, we shall keep on reading the announcement in the report, 'Dividends proposed to be declared—nil,' for quite another generation hence, unless a miracle happens, a contingency that is by no means a consoling one.

The report for the half-year gave the following table of receipts and expenditure:

RECEIPTS.					
				+ Increase or — Decrease.	
					£
					1901.
					£
Passengers, parcels, mails, etc.	...	68,478	...	+	3,012
Merchandise and live stock	...	43,570	...	—	557
Minerals	...	29,738	...	+	1,271
Miscellaneous receipts	...	4,522	...	+	492
					<hr/>
					146,308
Net increase		4,218

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EXPENDITURE.

	1901.		+ Increase or - Decrease.
	£		£
Maintenance of way, works, etc. ...	23,358	...	+ 2,832
Locomotive and carriage and waggon expenses	40,152	...	+ 4,225
Traffic and general expenses ...	33,047	...	+ 1,635
Miscellaneous charges	4,295	...	+ 146
	<hr/>		<hr/>
	100,852	...	+ 8,838

The directors are happy to state, the report went on to say, that there has been a substantial increase in the gross receipts, and that consequently the net revenue for the half-year, notwithstanding the large increase in the prices of materials, and £4,364 increased cost of coal, shows only a decrease of £4,620 compared with the corresponding period of last year. The coal contracts now in force show a substantial fall in prices, and the directors look forward to the working of the current half-year yielding satisfactory results.

THE RHONDDA AND SWANSEA BAY RAILWAY.

The little Rhondda and Swansea Bay Railway did very well indeed during the past half-year, the results showing a most favourable contrast to those of the Cambrian. The gross receipts amounted to £45,551, against £38,047 in the June half of 1900, whilst there was an improvement of over £3,000 in the net receipts. This enabled the company to pay 4 per cent. on its 5 per cent. preference stock, against $2\frac{3}{4}$ per cent. a year ago, whilst, as usual, nothing is distributed on its ordinary capital. If it can do so well during such a critical period, and show such an appreciable improvement, we are encouraged to hope that the company has turned the

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corner, and that the future will bring it better success. At any rate, with a decrease in the expenditure during the current six months, we should find it in a position to pay its full dividend on the preference shares, with probably a good margin behind it.

The report of the directors said :

The accounts show gross receipts on revenue account amounting to £45,551, an increase of £7,504. The total working expenditure amounted to £27,476, an increase of £4,253. The traffic shows increases in the following: Passengers and parcels, £3,921; goods and minerals, £4,848; and a decrease of £1,265 in coal tipping receipts and sundries. The net result is a profit of £18,075, an increase of £3,251. The directors recommend a dividend on the preference capital for the half-year at the rate of 4 per cent. per annum, amounting to £10,106, leaving £84 to be carried forward. The dividend for the corresponding period of last year was at the rate of $2\frac{3}{4}$ per cent., with £181 3s. carried forward. Owing to the continued high price of coal and stores, the high rate of wages, and some exceptional charges, it has been impossible to effect any material reduction in the percentage of working expenses. The expenditure on capital account amounted to £1,669. As indicated in the last report, a petition was lodged against the Swansea Harbour Bill. After considerable negotiations with the trustees, to which the Great Western Railway Company were parties, arrangements were come to and the petition was withdrawn. Clauses have also been inserted for the company's protection, and the Bill is expected shortly to be read a third time in the Second House. Mr. Unsworth, locomotive superintendent, who had been in the service of the company for six years, resigned, in order to take up an important position abroad, and Mr. Ralph Oliver, who has been with the company for sixteen years, has been appointed in his place. In order to meet the requirements of a growing traffic, it is found necessary to provide additional locomotives; two have been ordered, and tenders have been received for two more.

CHAPTER XXVII

PRINCIPAL SCOTCH RAILWAYS

TAKING them on the whole, the principal Scotch railways have done better during the past six months than the English ; but they have been helped to a very great extent by the Exhibition traffic, which, of course, is temporary in its nature, and had it not been for this there would have been little or no comparison to make between them.

Although the Caledonian Railway is not the longest as regards mileage, it is the principal railway as regards revenue. It has been a very successful undertaking, and its ordinary stocks, as well as its prior securities, are great favourites amongst the investing public. The company has a complicated capital, made up as follows : £9,678,291 4 per cent. debenture stock ; £2,131,104 4 per cent. guaranteed annuities stock ; £3,667,164 4 per cent. consolidated guaranteed stock, non-cumulative, and in the event of non-payment of dividends on this stock, the holders have a lien on the Scottish North-Eastern section of the line ; £2,751,386 4 per cent. guaranteed annuities stock, No. 2 ;

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£3,579,935 4 per cent. consolidated preference stock, No. 1, non-cumulative; £2,946,341 4 per cent. consolidated preference stock, No. 2, non-cumulative; £1,639,890 5 per cent. consolidated preference stock, 1878, non-cumulative; £952,995 4 per cent. preference stock, 1884; £1,036,243 4 per cent. preference stock, 1887, holders having the option, in perpetuity, of exchanging for a like amount of ordinary stock, convertible into preferred and deferred on any January 1 or July 1; £6,337,116 undivided ordinary stock, and £11,956,860 preferred and deferred stocks; £2,508,026 deferred ordinary stock, No. 1, ranking equally with the ordinary stock in dividends beyond 7 per cent.; and £276,666 deferred ordinary stock, No. 2, ranking equally with the ordinary stock in dividends beyond 9 per cent.

The company obtained powers in the year 1890 for the conversion of the ordinary stock into preferred and deferred by duplication, £100 of 3 per cent. preferred ordinary and a similar amount of deferred ordinary being issued for each £100 of ordinary stock. Since then the company has not failed to pay the 3 per cent. regularly on the preferred, and it has thus become a popular investment, whilst the deferred is also a promising stock.

The following table gives the dividends paid on the undivided ordinary since 1885, the highest and lowest prices, and the balances carried forward each half-year:

BRITISH RAILWAY FINANCE

Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.		
			£	£		
1885 . .	103 $\frac{5}{8}$	90 $\frac{7}{8}$	4	5,696	4	3,648
1886 . .	105 $\frac{1}{8}$	96 $\frac{1}{4}$	3 $\frac{1}{2}$	8,460	3 $\frac{3}{4}$	7,605
1887 . .	105	93 $\frac{1}{2}$	3 $\frac{1}{2}$	6,116	4	9,347
1888 . .	118 $\frac{3}{4}$	99 $\frac{1}{2}$	4 $\frac{1}{4}$	7,168	5 $\frac{1}{4}$	9,538
1889 . .	129 $\frac{1}{2}$	114 $\frac{1}{8}$	5	7,619	5 $\frac{1}{4}$	8,138
1890 . .	132	114 $\frac{1}{8}$	5	9,729	3 $\frac{3}{4}$	7,400
1891 . .	123 $\frac{1}{4}$	112	4	4,429	4 $\frac{1}{2}$	8,618
1892 . .	123 $\frac{1}{4}$	115 $\frac{1}{2}$	4	8,011	4 $\frac{1}{4}$	6,053
1893 . .	121 $\frac{1}{4}$	111 $\frac{1}{4}$	4	9,754	4 $\frac{3}{4}$	8,096
1894 . .	131 $\frac{1}{2}$	112 $\frac{3}{4}$	4	11,105	3 $\frac{1}{4}$	7,892
1895 . .	149 $\frac{1}{2}$	125 $\frac{1}{2}$	4 $\frac{1}{2}$	6,598	5 $\frac{1}{2}$	6,440
1896 . .	166 $\frac{1}{4}$	143	5	9,020	5	17,418
1897 . .	159 $\frac{1}{2}$	150	5 $\frac{1}{4}$	15,350	5	9,544
1898 . .	161 $\frac{1}{4}$	144 $\frac{1}{2}$	5	13,201	5	9,705
1899 . .	156	137	4 $\frac{3}{4}$	13,985	4 $\frac{3}{4}$	14,520
1900 . .	144	120	4 $\frac{1}{4}$	13,143	3 $\frac{3}{4}$	14,257
1901 . .	132 $\frac{3}{4}$	116 $\frac{1}{2}$	3 $\frac{1}{2}$	18,117	...	...

The following are the dividends paid on the deferred, and the highest and lowest prices of the latter, from 1891:

Year.	Dividends. April—Oct.	Highest.	Lowest.
1891 . .	1 1 $\frac{1}{2}$	47 $\frac{1}{4}$	35
1892 . .	1 1 $\frac{1}{4}$	47 $\frac{1}{8}$	36 $\frac{3}{4}$
1893 . .	1 1 $\frac{3}{4}$	39 $\frac{1}{4}$	30 $\frac{3}{8}$
1894 . .	1 1 $\frac{1}{4}$	46 $\frac{1}{2}$	32 $\frac{3}{8}$
1895 . .	1 $\frac{1}{2}$ 2 $\frac{1}{2}$	55 $\frac{1}{4}$	40
1896 . .	2 2	64 $\frac{1}{2}$	49 $\frac{5}{8}$
1897 . .	2 $\frac{1}{4}$ 2	61 $\frac{3}{8}$	52 $\frac{3}{8}$
1898 . .	2 2	59 $\frac{3}{8}$	50 $\frac{1}{8}$
1899 . .	1 $\frac{3}{4}$ 1 $\frac{3}{4}$	57 $\frac{1}{8}$	47 $\frac{1}{8}$
1900 . .	1 $\frac{1}{4}$ 1 $\frac{3}{4}$	49 $\frac{7}{8}$	37 $\frac{1}{8}$
1901 1 $\frac{1}{2}$	45 $\frac{5}{8}$	36 $\frac{5}{8}$

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It will be seen from the directors' report that there was a considerable increase in the passenger traffic during the past six months, due, in a great measure, to the Glasgow Exhibition; but, on the other hand, there was an appreciable decline in the goods traffic. But the chief cause for gratification, as far as the shareholders are concerned, is in the fact that the directors managed to economize to a great extent, especially in locomotive power. Strange to say, there has actually been a saving in the coal-bill of no less than £34,160, and this has enabled the directors to pay the satisfactory dividend—that is to say, satisfactory under the circumstances—of $3\frac{1}{2}$ per cent., thus giving $\frac{1}{2}$ per cent. to the deferred, which was more than the latter expected.

The directors' report said:

The balance available for dividend is £617,707. After payment of dividends on the preference stocks, absorbing £278,735, there remains £338,972. The directors recommend a dividend on the ordinary stock at the rate of $3\frac{1}{2}$ per cent. per annum, which will require £320,855, leaving to carry forward £18,117. The railway receipts are £1,961,857, a decrease of £25,554, and those from the canal £60,555, a drop of £1,067, making a total decrease of £26,621. The working expenses of the railway were £1,144,023, the rate per cent. being £58 6s. 2d., against £57 11s. 2d.; and the canal £18,483, or at the rate per cent. of £30 10s. 5d., against £30 1s. 7d. Excluding the trains run for other companies, the earnings per train mile of the passenger traffic are now 47·39d., compared with 43·66d., and the merchandise and mineral traffic receipts per mile are 78·72d., compared with 78·50d. The cost of maintenance and renewal of the permanent way and works is £201,210, or at the rate of £466 19s. 7d. per mile per annum. The amount charged for the repair and renewal

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of the rolling-stock is £218,656, or at the rate of 6·48d. per train mile run. The expenditure on capital account during the half-year, less credits, has been £778,880. The estimated expenditure for the half-year to January 31, 1902, may be summarized as follows: On account of lines open for traffic, £86,345; lines in course of construction, £515,150; working stock, £20,000; subscriptions to other railways, £57,500; Portpatrick and Wigtownshire Joint Railway, £500—a total of £679,495. The works in connection with the Mid-Lanark and Ayrshire lines, the Leith lines and the Central Station, and the widening of the railway between Dunblane and Doune, have proceeded satisfactorily. The Motherwell, Mossend, and Bellshill Railway, and the Wemyss Bay Railway widening works, have been continued, and the extension of the pier at Wemyss Bay has been completed. The Shieldmuir, Wishaw, and Newmains Railway and the new station at Newton have also been completed. The construction of the new dock at Grangemouth and the work on the Cathcart to Newton section of the Lanarkshire and Ayrshire Railway have made good progress. Mr. David Tod, of Eastwood Park, Giffnock, has been appointed a director in the place of the late Mr. Bolton, and Sir M. Mitchell-Thompson, Bart., of Edinburgh, in the room of the late Mr. Bunten.

With regard to the prospects of this company, no one can foresee what they are likely to be. The railway will continue to feel the beneficial effects of the Exhibition traffic during the current six months, but an improvement in the goods traffic is not probable. There may be a greater saving in coal and in mileage also, and should the results not come up to those of the corresponding period of last year, yet the falling-off may not be appreciable, whilst the shareholders may also have an agreeable disappointment.

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THE GLASGOW AND SOUTH-WESTERN.

There was a remarkable similarity between the reports of the Caledonian and the Glasgow and South-Western Companies. The receipts from the passenger traffic showed a great improvement, though not quite to the same extent as the Caledonian; but, on the other hand, the decline in the mineral traffic was not so serious. The goods traffic showed a slight increase, and, together with the increase in the passenger receipts, it leaves an advance in gross receipts of £3,260. But the expenditure, unlike that of the Caledonian, showed a considerable increase, leaving a deficit on the net revenue of over £4,000, and this diminishes the agreeableness of the results, especially when we find that there has been a saving of no less than £17,879 in coal. Nearly this sum was spent additionally on materials, whilst the increase in wages was responsible for £6,270 extra. Thus the results are due more to happy chance than to economy on the part of the directors, for the reduction in the passenger train mileage was only 1·81 per cent., and in the goods of 0·97. Whilst the company has benefited from the Exhibition, it has undoubtedly had to spend money freely in making preparations for it, and in that way it has not been able to take full advantage of the opportunity. Furthermore, new capital charges have encroached on the revenue. Whilst the dividend on the Caledonian ordinary took £25,000 more than last year, and the prior charges £3,500, the

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new capital of the Glasgow and South-Western absorbed £8,182. Still, there is no reason why the directors should not have saved more, in imitation of the Caledonian, and, under the circumstances, the dividend of 4 per cent. on the ordinary, with $1\frac{1}{2}$ per cent. for the deferred, is not only more than was expected, but it is a distribution upon which the shareholders may be congratulated.

The capital of the company is made up as follows: £3,775,340 4 per cent. debenture stock; £1,325,000 St. Enoch Station rent-charge stock, 4 per cent.; £935,450 guaranteed 4 per cent. stock; £1,892,150 4 per cent. preference stock; £1,555,940 4 per cent. preference stock, No. 2; £285,000 4 per cent. preference stock, 1888; £543,000 4 per cent. preference stock, 1891; £405,000 4 per cent. preference stock, 1894; and £5,527,920 preferred converted, and the same amount of deferred converted, the former ranking for $2\frac{1}{2}$ per cent. dividends on the profits of each separate half-year. In addition, there is £442,250 deferred stock, entitled to participate after the deferred ordinary has received $2\frac{1}{2}$ per cent. dividend. The debenture capital rose from £2,350,435 in 1881 to £3,775,340 in 1900, the preferential capital from £2,550,235 to £6,941,540, and the ordinary from £5,370,170 to £5,970,170, showing that the latter has almost stood still, whilst the two former, and especially the preferential, have increased considerably. In 1881 the gross receipts amounted to £1,187,036, and at the end of 1900 to £1,706,378.

The following table gives the dividends paid on

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the old ordinary stock up to 1897, when it was duplicated into preferred ordinary and deferred ordinary, with the highest and lowest prices, and the balances carried forward :

Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.
			£	£
1885 . .	110 $\frac{1}{2}$	91 $\frac{1}{2}$	4 6,316	4 6,069
1886 . .	104	95 $\frac{1}{4}$	4 5,652	3 $\frac{3}{4}$ 6,040
1887 . .	103 $\frac{1}{2}$	97 $\frac{1}{2}$	4 7,767	3 $\frac{1}{2}$ 1,300
1888 . .	109 $\frac{3}{4}$	98 $\frac{1}{2}$	4 5,255	4 4,861
1889 . .	117 $\frac{1}{2}$	102 $\frac{1}{2}$	4 5,576	4 6,030
1890 . .	119	98 $\frac{1}{2}$	4 5,525	3 $\frac{1}{2}$ 5,307
1891 . .	105 $\frac{1}{2}$	95 $\frac{3}{4}$	3 $\frac{3}{4}$ 5,768	3 $\frac{3}{4}$ 5,123
1892 . .	113 $\frac{1}{4}$	99	4 $\frac{1}{4}$ 5,430	4 5,402
1893 . .	112 $\frac{1}{2}$	105 $\frac{3}{4}$	4 6,705	3 6,705
1894 . .	110 $\frac{3}{8}$	103 $\frac{3}{4}$	4 4,525	2 $\frac{1}{4}$ 2,354
1895 . .	114	107 $\frac{1}{4}$	4 3,157	5 5,642
1896 . .	144	110	5 5,592	5 $\frac{1}{4}$ 5,562
1897 . .	150	136 $\frac{3}{4}$	5 5,886	5 7,364

The following table gives the same information respecting the deferred ordinary from the year 1898:

Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.
			£	£
1898 . .	71 $\frac{1}{2}$	60	2 $\frac{3}{4}$ 5,696	2 $\frac{1}{2}$ 6,350
1899 . .	74 $\frac{1}{2}$	6 $\frac{1}{2}$	2 $\frac{1}{2}$ 6,374	2 $\frac{1}{2}$ 6,744
1900 . .	64 $\frac{1}{2}$	49 $\frac{1}{2}$	2 6,151	2 $\frac{1}{4}$ 6,376
1901 . .	56 $\frac{1}{2}$	41	1 $\frac{1}{2}$ 6,372

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The directors' report for the past half-year said :

The amount expended on capital account to January 31 last was £16,868,796. The amount expended during the half-year to July 31 last was on Glasgow and South-Western, lines open for traffic, £93,925; lines and works authorized and in course of construction, £84,783; Glasgow and Kilmarnock Joint Line, £942; working stock, £27,214; Glasgow and Renfrew District Railway, £10,000; Portpatrick and Wigtownshire Railways, proportion (one-fourth) of liabilities, £504; Parliamentary expenses for Act of 1901, £4,254—a total capital expenditure of £17,090,418. The estimated capital expenditure for the current half-year is £451,549, namely : On Glasgow and South-Western, lines open for traffic, £47,845, and lines authorized, £213,700; Troon Harbour, purchase price, £167,500; Glasgow and Kilmarnock Joint Line, £250; working stock, £1,750; Glasgow and Renfrew District Railway, £20,000; Portpatrick and Wigtownshire Railways, £504. The most of the masonry work at St. Enoch Station is now completed, and five of the new platforms have been opened for traffic. The widening of the line between St. Enoch Station and Port-Eglington Junction has been completed, and the additional lines of rails brought into use. Satisfactory progress is being made in the construction of the Barrhead extension. About 29 per cent. of the work under the contract for the Dalry and North Johnstone Railway has been completed. The Gatehead and Hurlford Railway is now ready for the permanent way being laid. Contracts for the Catrine branch and the Cairn Valley Light Railway have been let, and the contractors have commenced operations. The Bill promoted by the company in the last session of Parliament has received the royal assent. The royal assent has also been given to the Bill promoted by the Glasgow and Renfrew District Railway Company and to the Provisional Order promoted by the Ayr Harbour trustees. The traffic returns show that there has been an increase of £13,562 in the coaching, £775 in the goods, a decrease of £651 in the live stock, and £10,427 in the minerals. The aggregate increase (after deducting the cost of collection and delivery), as compared with the corresponding period of the previous year, is £3,259. After providing for

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the dividends on the preference stocks and shares, which amount to £114,718, there remains a balance of £117,662, out of which the directors recommend a dividend at the rate of 4 per cent. per annum on the ordinary stock, being at the rate of $2\frac{1}{2}$ per cent. per annum on the preferred ordinary stock, and $1\frac{1}{2}$ per cent. per annum on the deferred ordinary stock, carrying forward £6,372.

The following statement shows the receipts and expenses of the last half-year :

				+ Increase or - Decrease.	
				£	
Coaching traffic	...	...	391,048	+	13,562
Goods and live stock traffic	...	...	249,640	+	125
Mineral traffic	...	...	195,815	-	10,427
				<hr/>	
Total traffic receipts	...	...	836,503	+	3,260
Miscellaneous receipts	...	...	22,448	+	383
				<hr/>	
Total receipts	...	...	858,951	+	3,643
Total expenditure	...	...	516,443	+	7,962
				<hr/>	
Net revenue	...	...	342,508	-	4,319
Interest on debentures, rents of leased lines, stations, etc.	...	...	116,505	+	5,794
				<hr/>	
Balance from previous half-year			226,003	-	10,113
			6,377	-	367
				<hr/>	
Available for dividend	...	...	232,380	-	10,480

THE NORTH BRITISH RAILWAY.

The North British Railway ranks next to the Caledonian, its revenue being smaller, notwithstanding that its mileage is longer. Whilst the company has never been a brilliantly successful undertaking, it has enjoyed fair prosperity for a

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great number of years, but recently, of course, it has had an uphill battle to fight. It was the first of the leading railway companies to duplicate its ordinary stock, and its capital at the present moment is quite complicated. It consists of £9,383,073 ordinary stock; £6,960,588 ordinary preference stock, ranking before the above for maximum dividends of 3 per cent. per annum, contingent; £7,623,775 consolidated lien stock, created for the absorption of separate lien stocks, carrying interest at 3 per cent.; £2,444,128 consolidated preference stock, No. 1, 4 per cent., cumulative; £3,850,198 consolidated preference stock, No. 2, 4 per cent., contingent; £2,422,485 Edinburgh and Glasgow preference stock, $4\frac{1}{2}$ per cent., contingent; £387,370 preference stock, 1865, 5 per cent., contingent; £418,505 convertible preference stock, 1874, 5 per cent., contingent; £2,290,889 preference stock, 1875, $4\frac{1}{2}$ per cent., contingent; £604,888 convertible preference stock, 1875, $4\frac{1}{2}$ per cent., contingent; £605,728 convertible preference stock, 1879, 5 per cent., contingent; £574,114 convertible preference stock, 1884, 4 per cent., contingent; £249,469 convertible preference stock, 1888, 4 per cent., contingent; £1,000,854 convertible preference stock, 1899, 4 per cent., contingent; £1,477,652 convertible preference stock, 1892, 4 per cent., contingent; £2,138,709 convertible preference stock, 1897, 4 per cent., contingent; £1,055,000 convertible preference stock, 1901, 4 per cent., contingent; and £13,098,932 3 per cent. debenture stock.

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All the above convertible preference stocks carry the option to exchange them at any time at the rate of £100 ordinary and £100 ordinary preference for each £100 convertible preference. But the 1901 stock is not convertible until February, 1902. Since their creation holders have, of course, largely taken advantage of their privilege whenever the market has been favourable, and the fact that they carry such rights naturally puts a check on a rise in the junior stocks. The exchange becomes profitable, of course, whenever the value of £100 of both the preferred and deferred stocks exceeds the market value of £100 of convertible preference; but it is very rarely that such an opportunity presents itself nowadays, and it seems as if the opportunities will be rarer still in the future.

The debenture capital stood at £7,674,509 at the end of 1881, and rose to £14,272,197 at the end of 1900, whilst during the same period the preferential capital advanced from £18,441,745 to £26,666,085, and the ordinary capital from £3,997,434 to £4,277,686. The gross receipts cannot be said to have grown in proportion, for they increased from £2,430,113 to only £4,277,686 in 1900.

The following table gives the dividends paid on the 3 per cent. preferred ordinary, or preference ordinary, as it is also called, the highest and lowest prices, and the balances carried forward each half-year since 1889, the year after the last rearrangement of capital:

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Year.	Highest.	Lowest.	First Half-Year.	Second Half-Year.
			£	£
1889 . .	80	75	3 16,781	3 7,178
1890 . .	79 $\frac{1}{4}$	73 $\frac{1}{2}$	3 10,314	1 $\frac{1}{2}$ 6,400
1891 . .	76 $\frac{1}{2}$	63 $\frac{1}{2}$	1 5,408	3 4,262
1892 . .	72 $\frac{3}{8}$	67 $\frac{1}{4}$	2 $\frac{1}{2}$ 4,201	3 5,948
1893 . .	73 $\frac{1}{4}$	65 $\frac{3}{8}$	3 5,752	3 9,900
1894 . .	79 $\frac{1}{4}$	70 $\frac{3}{8}$	3 6,222	1 $\frac{1}{2}$ 3,465
1895 . .	85 $\frac{3}{8}$	76	3 4,154	3 4,274
1896 . .	94 $\frac{3}{8}$	79 $\frac{1}{4}$	3 4,948	3 1,484
1897 . .	92 $\frac{3}{8}$	85 $\frac{3}{8}$	3 3,763	3 819
1898 . .	93 $\frac{3}{8}$	86 $\frac{3}{4}$	3 3,171	3 1,569
1899 . .	92	81 $\frac{1}{8}$	3 1,452	3 3,301
1900 . .	89 $\frac{1}{2}$	78 $\frac{1}{4}$	3 10,187	3 3,248
1901 . .	84 $\frac{1}{2}$	77	3 4,742	... ..

The following table gives the dividends on the deferred ordinary, with the latter's highest and lowest prices, since 1889:

Year.	Dividends.		Highest.	Lowest.
1889 . .	1 $\frac{3}{4}$	31 $\frac{1}{2}$	65 $\frac{1}{4}$	55
1890 . .	1 $\frac{3}{4}$	nil	74 $\frac{1}{4}$	51 $\frac{1}{4}$
1891 . .	nil	3 $\frac{3}{4}$	53	36 $\frac{1}{4}$
1892 . .	nil	3 $\frac{3}{4}$	48 $\frac{1}{8}$	36 $\frac{3}{8}$
1893 . .	1 $\frac{1}{4}$	1	40 $\frac{3}{8}$	30
1894 . .	1 $\frac{1}{4}$	nil	43 $\frac{1}{4}$	32 $\frac{1}{8}$
1895 . .	nil	1 $\frac{1}{4}$	46 $\frac{3}{4}$	36
1896 . .	1	1 $\frac{1}{4}$	53 $\frac{5}{8}$	38 $\frac{1}{8}$
1897 . .	1	1 $\frac{1}{4}$	48	39 $\frac{3}{4}$
1898 . .	3 $\frac{3}{4}$	1 $\frac{3}{4}$	47 $\frac{5}{8}$	38 $\frac{1}{2}$
1899 . .	3 $\frac{3}{4}$	1	46 $\frac{1}{8}$	37
1900 . .	3 $\frac{3}{4}$	1 $\frac{1}{4}$	42 $\frac{5}{8}$	31 $\frac{1}{4}$
1901 . .	3 $\frac{3}{4}$...	44 $\frac{5}{8}$	37 $\frac{5}{8}$

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Like the other Scotch railways, the North British did better than was expected during the past six months. The holders of the deferred were beginning to resign themselves to no dividend at all, when the agreeably unexpected happened in the shape of a distribution of $\frac{3}{4}$ per cent., as against $\frac{1}{2}$ per cent. in the corresponding period of last year, which was not only a pleasant advance, but placed the company in a position by itself of being the only railway to pay a higher dividend, and accordingly the shareholders and the directors are to be congratulated. But the feeling of satisfaction is greatly lessened when we bear in mind that these improved results were due undoubtedly to the traffic created by the Glasgow Exhibition, which will not be a permanent influence. Moreover, only £4,700 is carried forward, as against £10,186 a year ago, and had a higher balance been carried forward it is evident that an increased dividend could not have been paid. Such a policy is no doubt justified by the prospects of the current year as a further beneficial result of the Exhibition traffic; but, on the other hand, the new convertible preference will rank for dividend. This will absorb the sum of £42,200, which may wipe away the dividend on the deferred altogether. Furthermore, the directors are about to create another £800,000 debentures, for which sanction was given last February, and this will make a deeper inroad in the revenue.

In the corresponding period of last year the sum of £28,218 was set aside out of the net profits to provide the balance of the bad debts suspense

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account, and as that charge has not appeared in the past half-year's accounts, it helps further to lessen our satisfaction by largely accounting for the increased profit and the higher dividend. It also looks as if there has been an augmentation of the expenditure to an appreciable extent, and this is borne out by the report, for the expenditure rose as much as £50,000, notwithstanding that compensation was £6,000 lower and Parliamentary expenses £4,600. It is surprising to find that, in direct contrast with the other Scotch railways, the coal-bill has been very heavy, being swollen by no less than £32,000, whilst cost of materials has risen £13,000. Taken as a whole, the working expenses represented 51·26 per cent., against 49·84 last year. Naturally, the question arises as to how the Caledonian and other railways could make a substantial saving in the item of coal, whilst the North British suffered materially on that head, and, of course, no answer is forthcoming in the report. On the whole, therefore, the more we examine the report, the more unsatisfactory it looks, and the less are we encouraged to look for an improvement in the future. It will only be able to profit from the Glasgow Exhibition a little while longer, and when that comes to an end we may see an end of the expansion in the passenger traffic, which has been of such great help to it during the past half-year.

The directors' report said:

The expenditure on capital account for the half-year ended July 31 (including a nominal addition of £37,289, owing to conversion of stocks) has amounted to £452,134, against the

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estimate of £472,188. The expenditure for the current half-year is estimated at £297,085. The following statements show the increases or decreases of the receipts and expenditure on the revenue account for the half-year by comparison with the corresponding period of 1900 :

RECEIPTS.

	£		Increase. £		Decrease. £
Receipts from passengers, parcels, mails, etc ...	794,072	...	54,594	...	...
Receipts from merchandise, minerals, and live stock (less cartages, etc.) ...	1,252,757	...	...	...	11,244
Miscellaneous receipts ...	51,701	...	4,712	...	...
	<hr/>		<hr/>		<hr/>
	2,098,530	...	48,062	...	...

EXPENDITURE.

Maintenance of way, works and stations	177,189	...	2,993	...	...
Locomotive power	369,160	...	36,446	...	...
Carriage and waggon repairs	96,005	...	1,487	...	...
Traffic expenses	368,939	...	13,716	...	...
General charges	38,655	...	340	...	...
Law charges, etc.	3,410	...	859	...	...
Compensation	10,973	...	...	...	6,032
Glasgow incline	2,630	...	154	...	...
Forth and Tay Ferries and Loch Lomond steamers...	6,371	...	628	...	...
Parliamentary expenses ...	733	...	...	...	4,600
Rates and taxes	46,051	...	2,957	...	...
Government duty	4,557	...	394	...	...
Union Canal	939	...	15	...	...
	<hr/>		<hr/>		<hr/>
	1,125,618	...	59,993	...	10,632
Less — Remuneration for working other lines ...	1,820	713
	<hr/>		<hr/>		<hr/>
	1,123,797	...	50,074

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The net revenue is £1,022,795, against £1,024,807, and the net revenue available for dividend, after deducting interest, rents, etc., is £665,461, against £656,906. The balance of net revenue admits of the payment of a dividend at the rate of 3 per cent. per annum on the ordinary preference stock of the company, and $\frac{3}{4}$ per cent. per annum on the ordinary stock, carrying forward £4,742. The receipts from passengers are £47,851, from parcels £6,555, from mails £189, from goods £10,763, from live stock £2,331, and from miscellaneous items £4,712 higher than in the corresponding half of last year. Mineral receipts show a decrease of £24,339. The receipts per railway mile have yielded £1,619·04, as against £1,642·06 for the corresponding half-year. The receipts per train mile for passenger trains are 45·02d., as against 41·56d., and for goods and mineral trains they are 70·25d., as against 69·67d. The proportion of working expenses to traffic receipts is 51·26 per cent., as against 49·84 per cent. The West Highland Railway extension from Banavie to Mallaig was opened for traffic on April 1. It is with great regret that the directors record the death, on August 14, of Sir William Laird, who, from the time of his election as a director till he was laid aside with fatal illness, devoted himself with great zeal and ability to the furtherance of the company's interests. The directors unanimously elected Mr. Wieland to succeed Sir William as chairman of the Board. Sir M. Mitchell Thomson, Bart., having retired from the audit committee, it rests with the shareholders, at the forthcoming meeting, to elect one of their number to fill the vacancy.

GREAT NORTH OF SCOTLAND.

This company has improved its position of late years considerably, and at the present moment its prospects look to be as hopeful as any of the other Scotch railways. The company was incorporated in 1846, and it is $331\frac{1}{4}$ miles in length. By an Act of Parliament obtained in 1897 the old ordinary stock was, early in the following year, con-

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verted into preferred converted ordinary stock and deferred converted ordinary stock, £100 of each of the new stocks being issued for each £100 of old ordinary, the old deferred ordinary stock, No. 1, being by the same Act converted into deferred converted ordinary. Therefore, the ordinary capital now consists of £920,133 preferred converted ordinary, ranking, on each year ending July 31, for dividends of 3 per cent. per annum; £1,022,955 deferred converted ordinary stock, ranking for dividend after the foregoing up to 2 per cent. per annum, and thereafter on surplus profits with the deferred ordinary stock, No. 2; and £397,395 deferred ordinary stock, No. 2, entitled in any year, when the dividend paid on the deferred ordinary stock exceeds 2 per cent. per annum, to participate *pari passu* with the deferred converted stock in such excess of dividend. Besides these, there are £1,347,298 4 per cent. debenture stock; £363,862 4 per cent. guaranteed stock, the dividend being cumulative; and several issues of 4 per cent. preference stocks, all of which are contingent. The following tables show clearly the improving position of the company of late years. The first gives the dividends paid on the ordinary since 1887, the highest and lowest prices, and the balances carried forward at the end of each half-year (Table I.).

Table II. gives similar information respecting the deferred converted.

For the years 1898 and 1899 the full dividend was paid on the preferred converted, but only $2\frac{1}{2}$ per cent. in 1900, thus showing a slight retro-

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TABLE I.

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1887 . .	55	55	$1\frac{3}{4}$	1,386	$1\frac{1}{4}$	1,462
1888 . .	$58\frac{1}{2}$	54	1	1,012	$1\frac{1}{2}$	1,223
1889 . .	$64\frac{3}{8}$	$59\frac{1}{2}$	$1\frac{1}{4}$	1,437	$1\frac{3}{4}$	2,447
1890 . .	$60\frac{1}{2}$	$51\frac{1}{4}$	$1\frac{1}{4}$	1,268	2	2,429
1891 . .	70	68	3	1,566	3	2,398
1892 . .	$79\frac{1}{4}$	$66\frac{1}{2}$	$3\frac{1}{2}$	1,017	3	2,305
1893 . .	$85\frac{1}{2}$	$74\frac{3}{8}$	3	1,093	$3\frac{1}{4}$	2,117
1894 . .	$95\frac{1}{2}$	$84\frac{1}{4}$	$3\frac{1}{4}$	1,106	$3\frac{3}{4}$	2,256
1895 . .	$111\frac{1}{2}$	94	$3\frac{1}{4}$	1,087	$3\frac{3}{4}$	2,893
1896 . .	$124\frac{3}{4}$	$106\frac{1}{8}$	$3\frac{1}{2}$	1,124	$3\frac{1}{2}$	2,791
1897 . .	122	113	$3\frac{1}{2}$	1,292	4	3,003

TABLE II.

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1898 . .	$33\frac{1}{4}$	31	$\frac{1}{2}$	1,314	1	2,214
1899 . .	$34\frac{3}{4}$	27	$\frac{1}{2}$	1,240	nil	5,125
1900 . .	26	$18\frac{1}{4}$	nil	1,461	nil	5,413
1901 . .	$27\frac{3}{8}$	21	...	...	...	...

gression during that year. But during the past half-year the company has done remarkably well, far better than could have been expected, and from this we are led to hope for better results still. Not only did the revenue show an expansion, but, what is more important still, the expenditure decreased by over £3,000, thus admitting of the full dividend on the preferred, against 2 per cent. in the correspond-

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ing period, with an additional £100 carried forward. Such an economy, in times like the present, when the contrary has been the experience of nearly every other railway, is deserving of warm approbation, for it shows that a decisive step has been taken in the right direction.

The report of the directors stated that:

The revenue amounted to £236,653 and the expenditure to £126,185, leaving a balance of net revenue of £110,467. Adding the balance from previous half-year's accounts, £5,413, and general interest account, £125, there is a sum of £116,006. Interest on debentures and debenture stock absorbs £27,086, and interest on loans and bank accounts £5,490, making the net balance £83,430. Deducting dividends on stocks, £81,920, the balance to be carried forward to next half-year's accounts is £1,510. The revenue of the half-year compares with £234,547 in the corresponding period of last year, being an increase of £2,106. After providing for interest and preferential charges, there remains a balance of £15,312. This balance will admit of a dividend at the rate of 3 per cent. per annum on the preferred converted ordinary stock, leaving, as before stated, £1,510 to be carried forward. The outlay on capital account has been: On lines open for traffic, £35,464; on working stock, £736; and on the Fraserburgh and St. Combs Light Railway, £377. The working expenses per train mile are 25·12, as against 24·69, and on traffic receipts 48·75 per cent., as against 51·11 per cent. In train mileage there is a decrease of 54,476 miles, as compared with the corresponding period of last year. It was brought to the notice of the Board that the company had acquired land from Mr. Thomas Adam and the Earl of Kintore while they were directors of the company. After consideration of the facts, the Board resolved that the transactions technically voided their seats as directors. The Board deemed it their duty to declare the disqualification, and in respect that the transactions were entered into in complete *bonâ fides* on both sides and with no prejudice to the company, to at once re-elect the same

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gentlemen in terms of Section 92 of the Companies Clauses (Scotland) Act, 1845. From this paragraph of the report Sir David Stewart, Mr. Bain, Mr. Williams, and Mr. Jones dissent.

THE HIGHLAND RAILWAY.

Though many years ago the Highland Railway Company paid fairly good and regular dividends, a great change for the worse has come over it of recent years, and the prospects of any immediate improvement are not bright. Even the dividends it did earn in what look like better days were not earned legitimately, for in the year 1895 it was discovered that under cover of a so-called reserve fund revenue charges had for a long time been made to capital. The shareholders thereupon demanded an investigation into the affairs of the company, with the result that a change of management took place ; but the company is still making a struggle to pay dividends, and it is possible that these efforts will meet with their reward some day, but that day, unfortunately, seems remote, and no one would be rash enough to predict its moment of advent.

Formerly, the half-year of this company ended with August 31, but the company has now come into line with the other Scotch Railways, and its half-yearly term, commencing with this year, will henceforth end on July 31. As a consequence of this change, the report which the directors have lately issued covers a period of five months only, and therefore it does not allow of fair comparison

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with the first six months of 1900. However, the report is sufficient to show that some substantial progress has been made, for whereas in the corresponding five months of last year the profit in excess of charges, but before writing anything off to locomotive renewal suspense account, was only £336, the profit this year is £11,722—a sum more than sufficient to pay a dividend at the rate of 1 per cent. per annum for the five months. Out of this sum, however, the directors have decided—and the policy seems one to be commended—to write off £10,000 of the locomotive renewal suspense account, against £2,853 last year, thus reducing the account from £38,657 in February to £28,657 in July.

For the five months the gross earnings showed an increase of £4,877, the increase being chiefly in the passenger traffic, as on the other lines, but there was also an improvement in the merchandise receipts. Furthermore, there was an appreciable decrease in the expenses—a most gratifying feature—and thus the net earnings gained £11,656, or over 15 per cent. This decline was chiefly due to a reduction of £4,855 in the coal-bill, whilst in rates and taxes there has been a decrease of £2,423. The train mileage has likewise been materially reduced, and altogether the line has been worked with admirable economy, from which the shareholders should benefit greatly in the future. A year ago there was a deficit for the five months of £2,168 after paying the preference dividends; now

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there is a surplus of £2,225, which is carried forward.

But with all this improvement, the prospect of an early resumption of the ordinary dividend is not hopeful, and it is made less hopeful by an addition to be made to the capital to the extent of £500,000 of second debenture stock. Only half of this is to be immediately issued, and nearly £200,000 of it is required to provide for capital expenditure already made, whilst the remainder will be left for future capital requirements. The estimated outlay for the current six months is £24,000, and the subsequent outlays are placed at £137,000.

The capital of the company is made up as follows : £2,564,383 ordinary consolidated stock ; £513,650 Class A preference stock, ranking for $4\frac{1}{2}$ per cent. dividends ; £400,000 Class B preference stock, 5 per cent. ; £515,000 4 per cent. preference stock ; £300,000 $3\frac{1}{2}$ per cent. preference stock, 1897 ; £150,000 $3\frac{1}{2}$ per cent. preference stock, 1898 ; and £1,920,640 debenture stock, £390,033 of which ranks for $4\frac{1}{4}$ per cent., and the rest for 4 per cent.

The debenture capital rose from £1,456,627 in 1881 to £1,920,640 in 1900, the preferential capital from £1,093,730, to £2,084,760, and the ordinary from £1,894,945 to £2,564,383, whilst during the same period the gross receipts advanced from £375,809 to £510,480.

The following table gives the dividends paid each half-year on the ordinary shares since 1890, the balances carried forward, and the highest and lowest prices :

PRINCIPAL SCOTCH RAILWAYS

Year.	Highest.	Lowest.	First Half-Year.		Second Half-Year.	
				£		£
1890 . .	102 $\frac{1}{4}$	91	5	3,533	3	250
1891 . .	100 $\frac{1}{2}$	91 $\frac{1}{2}$	6	4,133	3 $\frac{3}{4}$	650
1892 . .	110 $\frac{1}{2}$	101	6	4,492	3 $\frac{3}{4}$	651
1893 . .	117	111	6	4,622	3 $\frac{3}{4}$	245
1894 . .	120 $\frac{1}{2}$	111 $\frac{1}{4}$	6	3,507	2	231
1895 . .	121 $\frac{1}{2}$	100	5	2,118	$\frac{1}{2}$	563
1896 . .	113	91	3	4,655	nil	870
1897 . .	100	75	2	10,427	$\frac{1}{2}$	1,806
1898 . .	91	61	1	21,038	nil	1,340
1899 . .	70	49	1	16,051	nil	348
1900 . .	54 $\frac{1}{2}$	38	nil	14,962	nil	502
1901 . .	44 $\frac{1}{4}$	36	nil	2,225	...	...

The following was the report of the directors for the past six months :

The report of the directors of the Highland Railway Company for the five months ended July 31 last, to be presented to the meeting in Inverness on the 25th inst., states that the provisional order sanctioned at the special meeting held on January 30 has become law, and the accounts now submitted are consequently for five months only. The expenditure on capital account for the five months has amounted to £18,777, against the estimate of £26,000 for the six months ending August 31. The expenditure for the current half-year is estimated at £25,422. The following statements show the comparative results of the receipts and expenditure on revenue account for the five months ending July 31, 1901, and July 31, 1900 (Table I.).

After providing for debenture interest, temporary loan interest, and bank and general interest, etc., also dividend on Dunkeld lien stock and the other preference dividends, there is a balance of £12,225, out of which the directors have written off £10,000 of the locomotives renewal suspense account, and carry forward £2,225, as against £2,168 deficit in correspond-

BRITISH RAILWAY FINANCE

TABLE I.

RECEIPTS.				1901.		+ Increase or - Decrease.
				£		£
From passengers	...	...	...	95,150	...	+ 2,618
„ parcels, horses, carriages, etc.				21,852	...	+ 3,065
„ mails	...	...	...	23,136	...	—
„ goods and minerals	...	...	...	66,172	...	+ 332
„ live stock	...	...	...	8,357	...	- 795
				<hr/>		<hr/>
Traffic receipts	...	...	...	214,667	...	+ 5,219
From miscellaneous receipts			...	2,935	...	- 342
				<hr/>		<hr/>
				217,602	Net +	4,877
EXPENDITURE.						
Maintenance of way, works, and stations	...	...	...	26,770	...	+ 1,071
Locomotive power	...	...	...	46,722	...	- 5,015
Carriage and waggon repairs			...	11,321	...	- 104
Traffic expenses	...	...	...	32,896	...	- 265
Mileage of carriages and waggon	...	...	...	328	...	- 243
General charges	...	...	...	6,212	...	+ 433
Law charges	...	...	...	194	...	- 119
Compensation: claims for damage to and loss of goods, etc., and for per- sonal injury; also under Work- men's Compensation Act	...	...	...	710	...	- 127
				<hr/>		<hr/>
Working expenses	...	...	...	125,155	...	- 4,372
Rates and taxes	...	...	...	4,072	...	- 2,423
Government duty	...	...	...	652	...	+ 16
Tollage to Caledonian Railway Com- pany	...	...	...	2,083	...	—
				<hr/>		<hr/>
				131,963	...	+ 16
						<hr/>
						- 6,779
Locomotives renewal suspense account			...	10,000	...	+ 7,147
				<hr/>		<hr/>
				141,963	Net +	368

PRINCIPAL SCOTCH RAILWAYS

ing five months of 1900. The traffic receipts per railway mile have yielded £436·09, as against £425·49 for the corresponding five months. The receipts per train mile for coaching traffic are 49·23d., as against 45·75d., and for merchandise, mineral, and live stock traffic are 41·82d., as against 39·95d. The proportion of working expenses to traffic receipts is 58·30 per cent., as against 61·84 per cent. last year. During the five months 44,975½ less train miles were run. The provisional order sanctioned by the shareholders at the special meeting held on January 30—to which reference was made in the report for half-year ended February 28 last—has become law. Under its provisions the company is empowered to raise £500,000 of capital by means of a second debenture stock, and at an extraordinary general meeting of the shareholders, to be held on the 25th inst., immediately after the ordinary meeting, a resolution will be submitted authorizing the creation of £250,000 of this stock, and its issue on such terms and at such times as the directors may decide, provided only that it be offered in the first instance to the shareholders. Of the sum thus proposed to be created, nearly £200,000 are required to take the place of the existing over-expenditure on capital account. The double line from Dalnacardoch to Dalnaspidal was completed and brought into use on May 13, and from Dalnaspidal to the County March on June 10. The distance from Dalnacardoch to the County March is nine miles. There is now a double line from Blair-Atholl to the County March (south of Dalwhinnie), a distance of eighteen miles, which has been a valuable help in working the traffic. During the five months seven and a half miles of the line have been relaid with heavier steel rails.

THE HISTORY OF THE UNITED STATES

The history of the United States is a story of growth and change. It begins with the first settlers, who came to the Americas in search of a new life. They found a land of opportunity, but also one of hardship. The early years were marked by struggle and sacrifice, as the settlers fought to establish a new society. Over time, the United States grew from a small colony into a powerful nation. It was a process of constant evolution, shaped by the dreams and aspirations of its people. The history of the United States is a testament to the power of the human spirit and the ability of a nation to overcome adversity. It is a story of hope and progress, of a people who have built a great nation from the ground up. The history of the United States is a story that continues to inspire and inform us today.

APPENDIX I

HOME RAILWAY PROBLEMS

AN ARGUMENT ON THE BEAR SIDE

(From the 'Financial Times')

THE situation of the Home Railway market at the present time is a very interesting one. There is a very large class of investors in the country who, partly as a matter of sentiment, will invest in hardly any other form of security than Home Railway stocks, whilst another class equally firmly believe in them because they have in the past made large increments of capital and profits thereby. The result is that no kind of investment is so well held as English Rails. The effect of serious trouble in these securities is seen in the present quotations of Great Central Preferences, as compared with five years ago. If the real investor came to sell, then buyers would require a very much higher yield on ordinary shares than the $2\frac{1}{2}$ to 4 per cent. which they now produce, and the effect would be that quotations, notwithstanding their present range and the fall there has been compared with three years ago, would rule at a very much lower level. But the very reason of the low yield, the fashionableness of the security, and the large class of investors who have done well in the past, all tend, in my judgment, to higher prices in the near future, whatever the ultimate outlook may be.

There has been a great fall in the range of values.

BRITISH RAILWAY FINANCE

Permanent investors are always optimistic, and very few investors know how, or desire, to cut a loss. The lack of ability to cut a loss is the greatest difficulty in a really successful business career. Plenty of men can make money, but few know exactly when to call 'Time!' when things are on the decline. The Stock Exchange and knowing speculators, realizing that the current declarations of dividends must be poor and at a reduced rate, have sold stock they do not possess, and therefore the market for the time being is being artificially supported by bears, and these market considerations may at any time—from the point of view of speculators for the fall—be made worse, and an advance recorded by the investor buying to lock up, believing that the fall has been overdone. Therefore, in my opinion, in the immediate future slightly higher prices will be recorded. I desire, however, to deal with the situation, not as regards immediate developments, but as it affects the permanent investor. English railways have undoubtedly suffered from high cost of material and coal, and to a certain extent the bad dividends of last year were due to this cause, but only to a limited extent, and there is no doubt that in the near future coal and materials will become much cheaper. As against this, there is the much more serious fact that the trade of the country has reached for the time being the extreme of prosperity, and is now generally on the decline. To what extent the decline will go one can only surmise, but periods of prosperity and expansion of trade have always in the past been followed by a year or more of depression.

A close study of the earnings of the leading lines for the last three months, and the almost steady and continuous decline in the goods traffic, tell their own tale, and there are no signs of improvement. The loss of receipts is almost entirely a net loss, as the only economy that can be effected, until a radical change is made in English methods of railway management, is a saving in train mileage. One of these changes will be the develop-

APPENDIX I

ment of traffic by giving facilities at cheaper rates, and by moving greater quantities in bulk. In America car capacity has been enormously increased, with a corresponding decrease in the cost of carriage. Duplicate trains run by competing companies must also be minimized, and this might be brought about by pressure from the shareholders, as it is frequently the case that investors are holders in several different lines, irrespective of their being rival roads. This duplication of trains to the same places leads to much waste. The trains are run, many of them more or less with few passengers, and as the competition increases, so are efforts made to increase the speed and the facilities and accommodation given, which all tend to increase the cost of work. I do not think, if competition were done away with, we should get a better service. In America an arrangement between competing roads does not mean a more frequent service, but it means that all the trains that are run are full.

Yet, despite the recent apologia of highly-placed officials, it is the case that English railways are still continued very much on the same methods of management that have ruled for years. In point of fact, in many cases the road-bed, waggons, and tunnels do not readily permit of any other methods, although—as in the case of the Grand Trunk Railway, with which our readers will be familiar—better plans and more skilful management could be made to bring about enormously favourable results. Much good may be hoped for when necessity really compels a change; but practically all Boards are dependent mainly on their expert staffs, and the lines are not, as in the past, directed by men who made this direction their sole or main means of livelihood. The Boards of our railways are really self-elected, since existing members fill up the vacancies as they occur, and the annual or half-yearly meetings are practically a farce, the ordinary shareholders, or even a large body of them, having no chance against the mass of proxies the Board can always command.

BRITISH RAILWAY FINANCE

The difficulties and dangers of the situation in the future are many, and the really serious investor should carefully weigh them. A few of these difficulties may be particularized. The advent of new inventions and methods of locomotion (and improved methods of old systems, to some of which existing railways may not be adaptable), such as highway motors, mono-rails, underground systems, and electric trams, will, in course of time, be formidable enemies for the companies to combat. Electric tramways especially will, in my judgment, be a very serious competitor with all our railways with a suburban system, and will divert much traffic, competing as they will without the huge outlay on terminals that railways have had to make in the past. Then the rise in expenditure from year to year has been steady and persistent. Rates and taxes have gone up, and also wages. The latter have advanced even without any general strike of labour, to which the railways are all subject, and which sooner or later is bound to occur, as it did in America some years ago. Expenses must also increase with time, owing to the insistence of the public for better accommodation and facilities, whilst charges cannot be increased, as they are already at the highest possible level.

The most serious and more lasting danger is the steady and continuous increase of capital that has taken place year by year, with consequent increase of dividend and prior charges. This outlay is not really for the purpose of tapping new sources of revenue, but is generally made for the purpose of providing facilities which ought to have been provided in the past, and thus to enable the railways to cope with the increased traffic, which has grown beyond their resources. The case of the Brighton Railway and the proposed enlargement of Victoria Station is an instance of this. But this capital expenditure does not immediately, and cannot be expected for some years to come, provide anything like a fair return. In the United States a large portion of such expenditure is charged to revenue.

APPENDIX I

Indeed, what in America is naturally charged to revenue is in England entirely charged to capital—at all events, most of it, without doubt. Owing to the intense competition which exists between the companies, lines are built which of themselves cannot hope to pay ; they are simply built for the purpose of preventing other lines from extending into the territories of the road in possession, and so of keeping off competition. Speaking of these capital outlays which are so constantly being made, it is worth mentioning that, unlike all other trading concerns, no depreciation is allowed for by a railway company. A careful business man, before arriving at his available profits, always puts by a reasonable sum for depreciation, and is not content, as is the case with railways, with merely providing for wear and tear and the actual replacements of plant and roadway when worn out. However much you may keep up a property, a certain depreciation is always going on, and simple replacement here and there is in no way equal to the general depreciation which is taking place, and which should be written down from year to year.

There is no hope for the future of railroads by raising rates. In all other countries rates on goods have been reduced and better facilities provided, and by economical methods of transportation larger profits and increased volume of trade have been ensured. Foreign competition is already stifling the trade of this country, and the rates at present charged in many instances for small distances—like, say, that from Liverpool to Rochdale—are the same practically as those for bringing goods in bulk across from America. If rates were raised, the trade, which is at present dwindling through the absence of facilities and reasonable charges, would be still further injured, and the outlook in railroads is such that, in my opinion, the Government would be compelled to interfere on behalf of traders.

MERCATOR.

APPENDIX II

HOME RAILWAY PROBLEMS

AN ARGUMENT ON THE BULL SIDE

To the Editor of the 'Financial Times.'

'SIR,

' "Mercator's" letter in your yesterday's issue raises many points deserving of the careful consideration of all interested in the investment value of railway property ; but although the railways of this country have, as a whole, shown from this standpoint more stability than any other group of investments, yet it is not the first occasion within the railway era that they, for a time, have been "under a cloud," eventually to emerge, apparently, more solidly prosperous than before ; and admitting that even in a world of change a half-century's record does not necessarily imply that once more history will repeat itself, the presumption is in favour of this most recent spell of adversity again proving temporary.

'As regards the present situation, there are two fundamental facts that, however they may at the moment be obscured, would seem to be of the first importance in any estimate of the permanent investment value of the railways, the one being that overhead the steady expansion in gross earning-power has almost up to the present hour been maintained, the check with the adverse turn in trade in the current year being reflected in the railway traffics by but a fraction of 1 per cent., while the other is that the

APPENDIX II

recent conditions of working in respect of the cost of fuel and material have been abnormal, and are now passing away. With the records of the past before us, it is, viewing the matter broadly, surely not too much to assume that, with the present check to trade succeeded by a recovery, the hitherto constant tendency towards expansion in earnings will once again assert itself, and that so far as those chief items of the cost of working—fuel and material—are concerned, the ratio of expenses will again become normal. As is usual when things are under a cloud, there is too general a disposition unduly to magnify the other contributory adverse factors, such as lack of enterprise, lavish capital outlays, insufficient provision for depreciation, labour questions, etc.—all which naturally enough bulk more largely in the eye when costs otherwise are high and dividends cut down—and to make no allowance for what reasonably may be set off in mitigation. For example, if the railway administration of the country has failed fully to keep pace with the times, is it right to assume that nothing in that direction has been done? A comparison of the rolling-stock and the facilities for traffic with any former period will show that improvements certainly have been steadily in progress—in some directions, perhaps, too much so. Then, as regards capital expenditure, lavish although that undoubtedly has been, yet it is just a little too sweeping to denounce this out-and-out, as so generally is done; for, apart from the fact that some such outlays, on the principle that “a railway company’s capital account never can be closed,” are unavoidable, capital that is remuneratively invested, so as to contribute its quota of revenue, or, in other words, “to earn its own living,” ought not to come under such condemnation. Nor can the innovations demanded of the railways be carried into effect without still further capital expenditure—an expenditure doubtless justified if results can reasonably be reckoned on to render it profitable.

‘The charge against the railways of insufficient provision

BRITISH RAILWAY FINANCE

out of revenue for depreciation seems likewise, surely, too sweeping. The premier railroad of the country, for example—the London and North-Western—would, I believe, on investigation, be found to have, at cost of revenue, largely improved its property, and actually added to its engines and rolling-stock; and, apart from the prices originally paid for the land, most of the railways have been so well maintained that it is doubtful whether they could to-day be duplicated for what they originally cost. If thus efficiently maintained out of revenue, what need would there be for creating a fund for a depreciation that did not exist?

‘What changes, to be sure, does the whirligig of time bring about! Here, at this time of day, we actually have the railroads of America held up as an example of what British railways should be, whereas but five short years ago the position was quite the reverse. Then, although the British railway capital accounts were growing, wages rising, and rates and taxes, as now, increasing, the prosperity of the railways had as yet been unclouded by the impending coal famine. Quotations were high—probably too high—but British railway stability was rated highly enough then to “point the moral” to American railroads, emerging discredited from the throes of receivership and assessment, under the all but universal reproach of having paid dividends at cost of deterioration of their property. Now the boot is on the other leg, and, with “betterments charged to revenue,” all are for holding up American railroads as a pattern to our own companies, whereof at present, through certain adventitious conditions, it is the turn to “get the kicks.”

“Sweet are the uses of adversity,” and the tribulations that home railways have just been passing through may well prove profitable, if the lessons they convey are taken to heart, not in disparaging comment or detrimental conclusions as to the future of this important section of the investment market, but in agitating for reforms such as

APPENDIX II

not only are practicable, but should bring a future at least as assured as the past. Above all, as is urged by "Mercator," let harmonious working be promoted, and the needless duplication of services put a stop to. Let capital expenditure likewise be confined to what is either absolutely necessary, or can be shown to have reasonable prospect of bringing an adequate return; and, as regards "innovations," such as heavier engines and bigger trucks, let these be introduced as renewals are, at any rate, being made. As for the rates and taxes, it is true that these go on growing apace, and, doubtless, as a tax on locomotion, are economically unsound as well as an unfair impost; but in this there is nothing new, and if the powers that be continue obdurate, there is nothing for it but to grin and bear it. It is otherwise with the labour question, and the assumption that wages must go on proving a yet more formidable tax on the railways can have no better foundation than if applied to any other department of industry, the conditions of labour all round being primarily a question of demand and supply.

'Minor forms of competition, of which at present a good deal is being made, in the shape, for example, of further developments in the suburban districts of the bigger towns of the street-railway system, are as likely to prove advantageous as detrimental to the railways, for the multiplying of facilities for residence outside the towns creates not alone a new passenger traffic, but likewise traffic of all sorts, whereof the railways will get their share. Year by year the taste for and habit of travelling give evidence of developing with the increase of wealth and opportunity, as well as of the population itself; and, apart from merely minor fluctuations, the tendency towards an expansion of the merchandise movement, in the way of supplying the wants of a growing community, can hardly but be similarly observable; and that this must find itself reflected in a corresponding growth in railway revenues can on but the one assumption be belied, and that is that the nation

BRITISH RAILWAY FINANCE

itself has entered upon the sere and yellow leaf of commercial and industrial decay. This, too, we have been accustomed to hear every time the business sky has been overclouded, and yet the trade of the country to-day is greater than ever before in its history.

‘I am, etc.,

‘JAS. D. WALKER.

‘17, ST. ANDREW SQUARE,
‘EDINBURGH.’

APPENDIX III

HOME RAILWAY ACCOUNTS

THE RESULTS OF TWELVE LEADING COMPANIES SINCE 1888

(From the 'Financial Times')

PASSENGER RECEIPTS.

Period.	Total.	Increase or Decrease on corresponding Half-Year.	Percentage of Increase or Decrease.
	£	£	
First half, 1888 . .	8,770,677	...	...
Second half, 1888 . .	11,082,811	...	...
First half, 1889 . .	9,811,554	+ 540,877	+ 6·2
Second half, 1889 . .	11,746,784	+ 663,973	+ 5·9
First half, 1890 . .	9,899,980	+ 583,426	+ 6·3
Second half, 1890 . .	12,248,593	+ 501,809	+ 4·3
First half, 1891 . .	9,917,894	+ 17,914	+ 0·2
Second half, 1891 . .	12,604,220	+ 355,627	+ 2·9
First half, 1892 . .	10,184,649	+ 266,755	+ 2·7
Second half, 1892 . .	12,561,755	- 42,465	- 0·3
First half, 1893 . .	10,467,553	+ 282,904	+ 2·7
Second half, 1893 . .	12,296,774	- 264,981	- 2·1
First half, 1894 . .	10,463,942	- 3,711	- 0·3
Second half, 1894 . .	12,661,889	+ 365,115	+ 2·2
First half, 1895 . .	10,389,616	- 74,326	- 0·7
Second half, 1895 . .	13,215,318	+ 553,429	+ 4·4
First half, 1896 . .	11,161,735	+ 772,119	+ 7·4
Second half, 1896 . .	13,511,800	+ 296,482	+ 2·2
First half, 1897 . .	11,485,018	+ 323,283	+ 2·9
Second half, 1897 . .	14,073,969	+ 562,169	+ 4·1
First half, 1898 . .	11,810,186	+ 325,168	+ 2·8
Second half, 1898 . .	14,671,991	+ 598,022	+ 4·2
First half, 1899 . .	12,350,061	+ 538,115	+ 4·5
Second half, 1899 . .	15,339,686	+ 665,747	+ 4·5
First half, 1900 . .	12,676,372	+ 326,311	+ 2·6
Second half, 1900 . .	15,950,987	+ 611,301	+ 3·9
First half, 1901 . .	13,085,640	+ 409,268	+ 3·2

BRITISH RAILWAY FINANCE

GOODS AND MISCELLANEOUS RECEIPTS.

Period.	Total.	Increase or Decrease on corresponding Half-Year.	Percentage of Increase or Decrease.
	£	£	
First half, 1888 . .	17,065,066	...	...
Second half, 1888 . .	18,247,004	...	...
First half, 1889 . .	17,956,527	+ 891,461	+ 5·2
Second half, 1889 . .	19,583,698	+ 1,336,694	+ 7·3
First half, 1890 . .	18,646,667	+ 690,140	+ 3·8
Second half, 1890 . .	20,169,223	+ 585,523	+ 3·0
First half, 1891 . .	19,305,111	+ 658,444	+ 3·5
Second half, 1891 . .	20,424,337	+ 255,114	+ 1·2
First half, 1892 . .	18,809,476	- 495,635	- 2·5
Second half, 1892 . .	20,633,722	+ 209,385	+ 0·9
First half, 1893 . .	18,808,953	- 523	...
Second half, 1893 . .	19,037,411	- 1,596,311	- 7·7
First half, 1894 . .	19,879,551	+ 1,070,598	+ 5·7
Second half, 1894 . .	20,544,326	+ 1,506,915	+ 7·9
First half, 1895 . .	19,337,777	- 541,781	- 2·2
Second half, 1895 . .	21,285,642	+ 741,516	+ 3·6
First half, 1896 . .	20,485,559	+ 1,147,782	+ 5·9
Second half, 1896 . .	22,232,334	+ 946,492	+ 4·4
First half, 1897 . .	21,318,551	+ 832,992	+ 4·1
Second half, 1897 . .	22,936,804	+ 704,470	+ 3·1
First half, 1898 . .	21,940,113	+ 621,562	+ 2·9
Second half, 1898 . .	23,659,183	+ 722,379	+ 3·1
First half, 1899 . .	23,515,452	+ 1,567,825	+ 7·1
Second half, 1899 . .	24,632,479	+ 964,817	+ 4·0
First half, 1900 . .	24,393,570	+ 878,118	+ 3·7
Second half, 1900 . .	25,125,578	+ 493,099	+ 2·0
First half, 1901 . .	23,878,168	- 515,402	- 2·1

APPENDIX III

TOTAL REVENUE.

Period.	Total.	Increase or Decrease on corresponding Half-Year.	Percentage of Increase or Decrease.
	£	£	
First half, 1888 . .	26,412,151	...	...
Second half, 1888 . .	29,837,717	...	...
First half, 1889 . .	27,889,679	+ 1,477,528	+ 5·6
Second half, 1889 . .	31,899,847	+ 2,062,130	+ 6·9
First half, 1890 . .	29,320,733	+ 1,431,054	+ 5·1
Second half, 1890 . .	33,004,825	+ 1,104,978	+ 3·4
First half, 1891 . .	29,979,833	+ 659,100	+ 2·2
Second half, 1891 . .	33,587,261	+ 582,436	+ 1·8
First half, 1892 . .	29,706,491	- 273,342	- 0·9
Second half, 1892 . .	33,714,908	+ 127,647	+ 0·3
First half, 1893 . .	29,943,371	+ 236,880	+ 0·8
Second half, 1893 . .	31,818,895	- 1,896,013	- 5·6
First half, 1894 . .	30,886,041	+ 942,670	+ 3·1
Second half, 1894 . .	33,698,066	+ 1,879,171	+ 5·9
First half, 1895 . .	30,337,388	- 548,653	- 1·8
Second half, 1895 . .	35,003,154	+ 1,305,088	+ 3·9
First half, 1896 . .	32,346,955	+ 2,009,567	+ 6·6
Second half, 1896 . .	36,365,273	+ 1,362,119	+ 3·9
First half, 1897 . .	33,572,806	+ 1,225,851	+ 3·8
Second half, 1897 . .	37,619,159	+ 1,253,886	+ 3·5
First half, 1898 . .	34,487,408	+ 914,602	+ 2·7
Second half, 1898 . .	39,012,062	+ 1,392,903	+ 3·7
First half, 1899 . .	36,753,399	+ 2,256,316	+ 6·5
Second half, 1899 . .	40,714,342	+ 1,691,853	+ 4·3
First half, 1900 . .	37,955,027	+ 1,201,628	+ 3·2
Second half, 1900 . .	41,773,958	+ 1,059,616	+ 2·6
First half, 1901 . .	37,902,798	- 52,229	- 0·1

BRITISH RAILWAY FINANCE

WORKING EXPENSES.

Period.	Total.	Increase or Decrease on corresponding Half-Year.	Percentage of Total Revenue.
	£	£	
First half, 1888 . .	13,784,182	...	52·2
Second half, 1888 . .	14,933,639	...	50·0
First half, 1889 . .	14,416,256	+ 682,074	51·7
Second half, 1889 . .	16,100,641	+1,167,001	50·5
First half, 1890 . .	15,607,115	+1,190,859	53·9
Second half, 1890 . .	17,289,874	+1,189,234	52·3
First half, 1891 . .	16,543,413	+ 936,298	55·2
Second half, 1891 . .	17,880,157	+ 590,283	53·2
First half, 1892 . .	16,736,905	+ 193,492	56·3
Second half, 1892 . .	18,073,315	+ 193,158	53·6
First half, 1893 . .	16,780,388	+ 43,483	56·0
Second half, 1893 . .	17,970,402	- 102,913	56·5
First half, 1894 . .	17,338,610	+ 558,222	56·0
Second half, 1894 . .	18,364,624	+ 394,222	54·4
First half, 1895 . .	17,190,805	- 147,805	56·6
Second half, 1895 . .	18,812,911	+ 448,287	53·7
First half, 1896 . .	17,991,078	+ 800,273	55·6
Second half, 1896 . .	19,567,603	+ 754,692	53·8
First half, 1897 . .	18,884,011	+ 892,933	56·2
Second half, 1897 . .	20,872,184	+1,304,581	55·5
First half, 1898 . .	20,082,234	+1,198,223	58·2
Second half, 1898 . .	22,139,888	+1,267,704	56·7
First half, 1899 . .	21,581,828	+1,489,920	58·7
Second half, 1899 . .	23,710,231	+1,559,918	58·2
First half, 1900 . .	23,273,316	+1,691,488	61·3
Second half, 1900 . .	25,600,169	+1,889,938	61·2
First half, 1901 . .	24,502,833	+1,229,517	64·6

APPENDIX III

PREORDINARY CHARGES.

Period.	Total.	Increase or Decrease on corresponding Half-year.	Percentage of Increase or Decrease.
	£	£	
First half, 1888 . . .	8,371,455	...	...
Second half, 1888 . . .	8,393,147	...	...
First half, 1889 . . .	8,431,558	+ 60,103	+ 0·7
Second half, 1889 . . .	8,470,060	+ 76,913	+ 0·9
First half, 1890 . . .	8,497,880	+ 66,322	+ 0·8
Second half, 1890 . . .	8,577,612	+ 107,552	+ 1·2
First half, 1891 . . .	8,671,239	+ 173,359	+ 2·0
Second half, 1891 . . .	8,740,884	+ 163,272	+ 1·9
First half, 1892 . . .	8,787,857	+ 116,618	+ 1·3
Second half, 1892 . . .	8,846,438	+ 105,554	+ 1·2
First half, 1893 . . .	8,893,355	+ 105,498	+ 1·2
Second half, 1893 . . .	8,780,403	- 66,036	- 0·7
First half, 1894 . . .	9,017,053	+ 123,692	+ 1·4
Second half, 1894 . . .	9,060,782	+ 280,379	+ 3·2
First half, 1895 . . .	9,069,321	+ 52,262	+ 0·5
Second half, 1895 . . .	9,144,587	+ 83,805	+ 0·9
First half, 1896 . . .	9,107,034	+ 37,713	+ 0·4
Second half, 1896 . . .	9,163,235	+ 18,648	+ 0·2
First half, 1897 . . .	9,187,118	+ 80,085	+ 0·9
Second half, 1897 . . .	9,237,167	+ 73,932	+ 0·8
First half, 1898 . . .	9,448,343	+ 261,225	+ 2·8
Second half, 1898 . . .	9,374,448	+ 137,281	+ 1·5
First half, 1899 . . .	9,690,572	+ 242,228	+ 2·5
Second half, 1899 . . .	9,421,117	+ 46,668	+ 0·4
First half, 1900 . . .	9,621,896	- 68,676	- 0·7
Second half, 1900 . . .	9,571,662	+ 150,545	+ 1·6
First half, 1901 . . .	9,695,089	+ 73,193	+ 0·7

APPENDIX IV

PAUPERIZING RAILWAY FINANCE

(From the 'Investors' Review' of August 31, 1901)

CONSIDERING the very wide attention which the railway reports receive at the hands of financial writers every half-year, it is a curious and suggestive fact that one important section of the accounts is rarely, if ever, touched upon. We refer to the 'general balance-sheet'—No. 13 in the form of accounts prescribed by the Board of Trade—containing an epitome of the company's financial position when the operations of the six months have been finally adjusted. The neglect of this most essential statement is probably due to the fact that it is designed to convey a minimum of information in as incomprehensible a form as possible, and it is the only portion of the accounts for which comparison with the figures of the corresponding half-year is not provided. Why this should be so we do not know, except that it has become a tradition of English railway management to keep shareholders and the public in the dark about every point on which disclosure is not compulsory. In this respect all well-managed foreign railways are far ahead of us, and we have not the least doubt that if our companies had been in the habit of furnishing sufficiently exhaustive reports to allow their position and progress to be accurately gauged, the intelligent criticism to which they would have been subjected would have kept them clear of many of the more serious blunders they have

APPENDIX IV

TABLE A.

		Interest and Dividends Payable.	Cash.	Balance of Accounts for or against Company.	Total Available.	Deficiency on Dividends, etc., Payable.
		£	£	£	£	£
North-Western	{ A B	2,392,840 2,691,769	712,430 1,495,708	434,578 466,732	1,147,008 1,962,440	1,245,832 729,329
Great Western	{ A B	1,734,855 1,913,143	772,287 1,103,870	88,696 11,438	860,983 1,115,308	873,872 797,835
Midland	{ A B	2,024,435 2,243,306	948,251 1,347,497	495,126 775,979	453,125 571,518	1,571,310 1,671,788
North-Eastern	{ A B	1,480,454 1,626,512	537,365 756,090	572,546* 35,181	35,181 401,723	1,515,635 1,204,789
Great Northern	{ A B	883,084 922,766	358,894 223,953	35,367 188,783	547,677 182,201	335,407 740,475
Lancs and Yorks.	{ A B	963,255 1,078,147	380,522 883,954	41,662 42,998	496,526 926,952	466,729 151,195
Great Eastern	{ A B	825,960 880,576	238,485 537,085	510,183 350,669	271,698 186,416	1,097,658 694,160
South-Western	{ A B	715,408 776,110	456,865 478,115	145,137 37,161	311,728 515,276	403,740 260,834
Brighton	{ A B	545,418 565,732	141,913 585,138	263,433 103,156	121,520 481,982	666,938 83,750
South-Eastern	{ A B	400,121 446,496	781 322	135,338 412,857	134,557 412,535	543,678 850,031
Chatham	{ A B	230,560 343,851	153,785 10,586	799,588 224,003	645,803 213,417	876,363 557,268
Great Central	{ A B	496,081 506,691	266,493 56,063	4,565,056 4,136,346	4,298,563 4,080,283	4,794,644 4,586,974
Total	{ A B	12,701,531 13,975,099	4,968,071 7,478,381	6,658,346 5,840,710	1,690,275 1,637,671	14,391,806 12,337,428

* Including £400,000 due for Londonderry Railway purchase. (A) Figures at June 30, 1901. (B) Figures at June 30, 1900.

BRITISH RAILWAY FINANCE

TABLE B.

	Capital Overdrafts.	Savings Bank Deposits.	Reserve and other Funds.	Total.	Excess or Shortage Reserves to Overdrafts.
	£	£	£	£	£
North-Western.	2,279,148	441,745	2,249,485	2,691,230	+ 412,082
	1,732,599	392,891	2,098,179	2,491,070	+ 758,471
Great Western.	Cr. 591,672	180,970	484,166	665,136	+ 1,256,808
	Cr. 343,229	164,011	545,543	709,554	+ 1,052,783
Midland	632,255	nil	1,010,400	1,010,400	+ 378,145
	884,174	nil	952,332	952,232	+ 68,158
North-Eastern.	1,891,065	709,002	812,210	1,521,212	+ 369,853
	1,503,032	658,007	760,405	1,418,412	+ 84,620
Great Northern.	Cr. 262,224	88,858	600,129	688,987	+ 951,211
	99,021	73,983	585,995	659,978	+ 560,957
Lancs and Yorks.	573,094	273,117	673,230	946,347	+ 373,253
	199,273	240,560	631,016	871,576	+ 672,303
Great Eastern.	666,186	322,080	1,038,732	1,380,812	+ 714,626
	514,117	301,416	1,022,040	1,323,456	+ 809,339
South-Western.	547,777	299,320	527,735	827,055	+ 279,278
	396,674	280,168	509,737	789,905	+ 393,231
Brighton.	1,165,486	213,230	562,162	775,392	+ 390,094
	578,369	202,398	530,634	733,032	+ 154,663
South-Eastern.	844,600	453,385	345,378	798,763	+ 45,837
	809,760	442,740	422,500	865,240	+ 55,480
Chatham.	915,374	59,042	122,536	181,578	+ 733,796
	583,675	57,939	122,360	180,299	+ 403,376
Great Central.	5,041,878	738,917	63,159	802,076	+ 4,239,802
	5,092,313	699,971	58,159	758,130	+ 4,334,183
Total.	13,702,967	3,779,666	8,509,322	12,288,988	+ 1,413,979
"	12,049,778	3,514,084	8,238,900	11,752,984	+ 296,794

(A) Figures at June 30, 1901.

(B) Figures at June 30, 1900.

APPENDIX IV

stumbled into. But it has never been possible to do more than generalize on the dangers of excessive capital expenditure and similar subjects, for the simple reason that no one outside the Board-room, and probably very few in it, has access to the information necessary to formulate more specific charges. Occasionally, it is true, we get a streak of insight into the methods by which capital expenditure has been piled up to such an appalling extent in recent years, and when we find the Midland debiting to capital some £60,000 for stamp fees in connection with the duplicating of its stocks, we get a pretty shrewd idea of how it has succeeded in adding seven and a half millions to its capital in three years.

As a rule, however, we have to grope about in the dark for any facts about our railways outside the bald statements of revenue and expenses, and even they might with advantage be greatly amplified. We have on one or two previous occasions sought to analyze the neglected general balance-sheets of the principal companies, and although, for the reasons mentioned, it is impossible to draw any very definite conclusions from the results, the general tendency shown is so decidedly retrograde that, taken in conjunction with other known facts, we cannot avoid the gravest misgivings as to what will happen when the cycle of trade depression makes further progress. In the accompanying tables we give a comparison of some of the principal figures from the balance-sheets at June 30 this year and last. We have here ample evidence of the struggle it has been for the companies to pay even the reduced dividends declared for the past half-year. Table A shows the amount of interest and dividends which the companies have to provide, and the resources at their disposal for this purpose. It will be seen that while the total amount payable is £1,275,000 less than a year ago, the deficiency in funds available has increased by practically two millions, so that the companies are actually poorer by over three and a quarter millions. If we go

BRITISH RAILWAY FINANCE

back five years we find that although the amount to be distributed was considerably less, there was fully a million more cash in hand, and the net deficiency was quite moderate compared with the figures now disclosed. There has, in fact, been a steady deterioration in this respect meantime, and even if we exclude the Great Central, on the ground that its circumstances are altogether exceptional, the backsliding is sufficiently alarming. Take the case of the North-Western, the best (or least badly) managed of the lot. Since June last year its cash balance has been reduced by over £700,000, and the deficiency is half a million larger. The Great Western has about £600,000 new capital at its credit, yet it had only £770,000 of cash, and was short £870,000 on its dividend and interest payments. The Midland has peddled out about those three millions of stock, but its cash is down £400,000, of which, however, about £300,000 has gone to pay off debts. The Great Northern is able to make a rather better show, thanks to its new capital issues, but it is using up the money rapidly, and will soon be back in its old position, or worse. And so on throughout the list, which we need not go over line by line, although every one deserves careful study. Leaving the Great Central out of account, the other eleven companies owe £2,100,000 more than is due to them, and have £4,700,000 of cash in hand, so that, in some form or other, they would have to borrow £9,600,000 of the amount payable in dividends and interest. From no conceivable standpoint can that be regarded as sound finance, and it is not reassuring that the position is going from bad to worse.

With regard to Table B, we have only one or two observations to make. It will be seen that the capital overdrafts have increased by £1,700,000, in spite of large issues of stock by several of the companies. They hold £3,780,000 of savings bank money, which they would find it very difficult to produce at a pinch, and £8,500,000 of other funds, mostly trust-money, and not in any sense

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reserves which could be drawn on in case of need. Practically every copper of this is sunk in the undertakings, which may be legitimate enough; but the companies would be wise to have some portion invested in realizable securities in case of embarrassment one of these days. The table shows, to some extent, how the companies struggle along with their capital accounts largely overdrawn, and it also shows that in spite of the constant issues of new stock the overdrafts are increasing and outrunning the available trust-funds. This also will help to cause trouble when new issues cannot be placed on the market with the same facility as hitherto, and when capital expenditure stops, dividends will stop too in most cases. Is it not significant that the amount of capital overdrafts reaches about the same total as the deficiency on interests and dividends payable?

APPENDIX V

HOME RAILWAY ROLLING-STOCK

(From the 'Economist,' September 7, 1901)

HOME railway shareholders have had impressed upon them lately the unpleasant truth that the capital outlay of these companies has for a long time been on far too liberal a scale. Certainly not the least of their misfortunes just at present arises from the heavy burden imposed by this large and, to a considerable extent, unproductive capital outlay. The most burdensome expenditure, all things taken into account, is probably that on 'lines open for traffic' and on 'additional working stock.' Such capital may be, and often is, anything but productive of extra profit, and beyond that consideration, large and continuous outlays of this character leave a loophole for the diversion of revenue charges to capital account. Considerations such as these make it essential that charges to capital account in respect of lines open and for working stock should be very closely scrutinized, though, unfortunately, the details of such expenditure as supplied in the published accounts of the companies leave very much to be desired, and do not make smooth the path of the intelligent investigator.

In view of the importance of the subject, we propose to show in the present article what additions have been made to capital in respect of rolling-stock in the past ten years,

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and on another occasion to examine the course of revenue charges on the same account for the same period. Table I. subjoined shows the total charge for rolling-stock appearing in the capital accounts of the leading companies on June 30, 1891 and June 30 last :

TABLE I.
TOTAL CAPITAL CHARGE FOR ROLLING-STOCK.

Company.	Total Charge to Capital Account for Working Stock.	
	June 30, 1901.	June 30, 1891.
	£	£
Great Central	5,612,746	3,134,293
Great Eastern	5,261,964	*3,338,856
Great Northern	7,359,023	5,152,425
Great Western	12,142,082	9,520,375
Lancashire and Yorkshire	7,135,515	4,930,922
London and North-Western	10,781,593	8,831,528
London and South-Western	5,240,055	3,739,723
London, Brighton, and South Coast	3,291,013	2,543,466
Midland	16,475,343	12,297,088
North-Eastern	12,258,145	10,242,173
South-Eastern	†3,566,000	2,041,843
Chatham	†1,897,000	1,472,443
Total	91,020,479	67,245,135

* Only part of charge; remainder not detailed.

† Including the percentage of joint capital expended.

An increase in the outlay of $23\frac{3}{4}$ millions is here indicated, equal to 35·3 per cent., an average of, say, £2,375,000 per annum. The increase shown by each company and the ratio thereof is indicated by the second table :

BRITISH RAILWAY FINANCE

TABLE II.

CAPITAL SPENT ON ROLLING-STOCK IN TEN YEARS, 1891-1901.

Company.	Increase in Charge to Capital in Ten Years.	Ratio of Increase Per Cent.
	£	
Great Central	2,478,453	79·0
Great Eastern	1,923,108	57·6
Great Northern	2,206,598	42·8
Great Western	2,621,707	27·5
Lancashire and Yorkshire	2,204,593	44·7
London and North-Western	1,950,065	22·1
London and South-Western	1,500,332	40·1
London, Brighton, and South Coast	747,547	29·4
Midland	4,178,255	34·0
North-Eastern	2,015,972	19·7
South-Eastern	1,524,157	74·6
Chatham	424,557	28·8
Total	23,775,344	35·3

The largest increase was £4,178,000, in the case of the Midland, but the largest, relatively, was that of the Great Central, amounting to 79 per cent., this high rate being due, no doubt, to the cost of equipping its new line. The South-Eastern additional charge, which includes the proportion (59 per cent.) of joint expenditure incurred by the managing committee (not classified in the separate capital accounts of the two companies), is very high, at nearly 75 per cent., and that company has not the excuse of any appreciable addition to mileage. By comparison, the Chatham's increase of 28·8 per cent. is very low. This company had to make a virtue of necessity, for as it could not raise capital easily when in its isolated state, it could not spend it; but since the South-Eastern came to its aid financially some lost ground has been recovered. It is highly satisfactory to note that companies which are generally credited with conservatism in their capital outlay—the North-Eastern, North-Western and Great Western

APPENDIX V

—all show small increases, the smallest, in fact, of any included in the table.

In regard to this additional outlay on rolling-stock, the companies are quite entitled to claim that, as traffic has grown enormously since 1891, extra equipment has had to be supplied to deal with it. But we do not think it can be reasonably contended that the charge to capital for rolling-stock should increase in the same proportion as the revenue. The denser the traffic, the more freely can rolling-stock and the whole organization of a railway be employed. About £1 of annual revenue to £1 of capital expended on rolling-stock used to be considered a rough-and-ready test of the proper relationship between the two. But we think that the rapid growth of revenue should have produced a lower relative charge to capital. In the following table the amount of the capital charge per £1 of revenue in 1891 is shown:

TABLE III.

AMOUNT OF CHARGE FOR ROLLING-STOCK PER £1 OF GROSS REVENUE, 1891.

Company.	Gross Revenue. Year to June 30, 1891.	Charge to Capital, June 30, 1891.	Charge per £1 of Revenue.
	£	£	£
Great Central	2,231,417	3,134,293	1·4
Great Eastern	4,206,557	*3,338,856	*0·8
Great Northern	4,399,859	5,152,425	1·2
Great Western	8,890,634	9,520,375	1·1
Lancashire and Yorkshire .	4,359,491	4,930,922	1·1
London and North-Western	11,685,752	8,831,528	0·8
London and South-Western	3,453,374	3,739,723	1·1
London, Brighton, and S. C.	2,457,278	2,543,466	1·0
Midland	8,935,222	12,297,088	1·4
North-Eastern	7,257,877	10,242,173	1·4
South-Eastern	2,320,807	2,041,843	0·9
Chatham	1,442,559	1,472,443	1·0
Total	61,640,827	67,245,135	1·1

* Only part of charge.

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Here it will be seen that the charge varies from £0·8 in the case of the Great Eastern and North-Western to £1·4 per £1 of revenue in the case of the Great Central, Midland, and North-Eastern Companies, which have bought up their waggons from private owners. It should be noted, however, that the Great Eastern charge to capital does not represent the whole of its rolling-stock, as when the company has absorbed various undertakings it has not separated that part of the purchase price representing rolling-stock. In the next table we show the amount of the charge to capital per £1 of revenue in 1901.

TABLE IV.

AMOUNT OF CHARGE FOR ROLLING-STOCK PER £1 OF GROSS REVENUE, 1901.

Company.	Gross Revenue. Year to June 30, 1901.	Charge to Capital, June 30, 1901.	Charge per £1 of Revenue.
	£	£	£
Great Central	3,221,523	5,612,746	1·7
Great Eastern	5,643,908	5,261,964	0·9
Great Northern	5,710,374	7,359,023	1·3
Great Western	11,181,472	12,142,082	1·1
Lancashire and Yorkshire .	5,355,309	7,135,515	1·3
London and North-Western	13,812,000	10,781,593	0·8
London and South-Western	4,971,329	5,240,055	1·1
London, Brighton, and S. C.	3,170,658	3,291,013	1·0
Midland	11,052,124	16,475,343	1·5
North-Eastern	9,173,053	12,258,145	1·3
South-Eastern	} 4,484,473	{ 3,566,000	} 1·2
Chatham		{ 1,897,000	
Total	77,776,223	91,020,479	1·2

On the average, it will be noted that the charge per £1 of revenue has advanced from £1·1 in 1891 to £1·2 in 1901, so that the charge is now ·9 per cent. higher in relation to the revenue than it was in 1891. In other

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words, the advance in the charge to capital for the rolling-stock was over 35 per cent., whilst in the gross revenue it was only 26 per cent. It is satisfactory to note that the North-Western charge is the lowest at £0·8. The Great Central is the highest at £1·7 per £1 of revenue, and it has advanced by £0·3 since 1891. The North-Eastern charge has declined since 1891, but the Midland Company's is higher, and at £1·5 per £1 of revenue stands above that of any of the big companies. A big advance is shown in the capital charge of the South-Eastern and Chatham Companies, for whereas the former's was equal to £0·9 per £1 of revenue, and the Chatham's to £1 per £1 of revenue in 1891, the average of the two companies in 1901 was £1·2 per £1 of revenue. A point to be borne in mind is that an increase in rolling-stock inevitably implies an addition to capital in other directions. More waggons mean larger sidings and more capital lying idle when trade is poor. Similarly, an addition to coaching stock means more sidings and carriage-sheds, and a still larger waste when the stock is not utilized. Another point is that, though some companies maintain their rolling-stock in a high state of efficiency, others have allowed theirs to deteriorate; and, strictly speaking, the latter should have written down their charge in the capital account by a charge to revenue for depreciation. In a further article we will deal with this matter from a revenue standpoint. In the meantime, however, we may state that the total increase in the stock of locomotives since 1891 has been 26 per cent., in carriage stock 28 per cent., and in waggons $29\frac{1}{2}$ per cent., as the outcome of an advance in the capital charge of 35·3 per cent.

APPENDIX VI

HOME RAILWAY ROLLING-STOCK, ETC.

(From the '*Economist*,' September 14, 1901)

IN a former article the charges made to capital account in respect of rolling-stock from 1891 to 1901 were examined, and they indicated that such charges had been made with great freedom—in short, they had been larger than the growth in traffic seemed to warrant. Our investigations covered the various classes of rolling-stock only, but on the present occasion, in our examination of the charges made to revenue for the maintenance of the various systems, we have included the permanent way as well as the rolling-stock. In Table I. comparison is made of the amounts charged to revenue in the years 1891 and 1901 for maintenance of way.

The aggregate increase amounts to £1,923,515, equal to an average of 36·3 per cent. From this table it will be noted that the Great Western shows the largest increase—namely, £427,204. This is in part due to the fact that the Great Western has had the largest addition to its mileage—about 500 miles of single line. But, in view of the fact that since 1891 the Great Western has done away with all that was left of its broad gauge, some reduction in the expense for maintenance was looked for. On the whole, it is probable that this company is at present making very liberal charges indeed to revenue for

APPENDIX VI

TABLE I.

MAINTENANCE OF WAY.

Company.	Charge for Maintenance of Way, Year to June 30, 1901.	Charge for Maintenance of Way, Year to June 30, 1891.	Increase in Ten Years.
	£	£	£
Great Central . . .	246,169	131,643	114,526
Great Eastern . . .	488,304	338,633	149,671
Great Northern . . .	409,180	353,961	55,219
Great Western . . .	1,389,139	961,935	427,204
Lancashire & Yorkshire .	521,575	374,122	147,453
London & North-Western	1,278,079	1,056,708	221,371
London & South-Western	491,135	318,418	172,717
London, Brighton & S. C.	313,910	176,656	137,254
Midland	922,278	699,539	222,739
North-Eastern	771,713	677,222*	94,491
South-Eastern	} 390,273	{ 126,961	} 180,870
Chatham		{ 82,442	
Total	7,221,755	5,298,240	1,923,515

* Excluding sum charged for docks, etc.

widenings, reconstruction of stations, and for bringing up the permanent way of various acquired lines to its proper standard. Relatively, the Great Central shows the largest increase in this item, on account of the addition of the London Extension and other mileage since 1891. It will be noted also that the South-Eastern and Chatham Companies show a very large proportionate growth, and in that case no considerable addition to mileage has taken place. As a matter of fact, the provision made in 1891 was probably very inadequate—indeed, at the recent Chatham meeting Mr. Forbes frankly stated these concerns had not been maintained out of revenue as they should have been. As it is desirable to bear in mind the addition to the mileage which has taken place since 1891, we show in the following table (Table II.) the mileage in that year and at June 30 last, computed on the basis of single lines—that

BRITISH RAILWAY FINANCE

is to say, a mile of double track has been reckoned as two miles, and so on. In the last two columns are shown the rate of increase in mileage per cent., and the rate of increase of the charge made to revenue for maintenance since 1891.

TABLE II.
MILEAGE MAINTAINED.

Company.	Mileage of Single Line, June 30, 1901.	Mileage of Single Line, June 30, 1891.	Increase per Cent.	
			Mileage.	Charge to Revenue for Main- tenance.
Great Central . . .	899	629	42·9	86·9
Great Eastern . . .	1,810	1,655	9·3	44·2
Great Northern . . .	1,282	1,224	4·7	15·6
Great Western . . .	4,194	3,695	13·5	44·4
Lancashire and Yorkshire	1,094	1,081	6·1	42·4
London and North-Western	*3,763	*3,462	8·7	20·9
London and South-Western	1,575	1,465	7·5	54·2
London, Brighton and S. C.	845	759	11·3	77·6
Midland . . .	2,998	2,666	12·4	31·8
North-Eastern . . .	2,887	2,604	10·8	13·9
South-Eastern . . .	} 1,178	{ 740	} 6·0	86·3
Chatham . . .				
Total . . .	22,525	20,301	10·9	36·3

* Estimated.

Here it will be observed that an increase of 10·9 per cent. has taken place in mileage, and 36·3 per cent. in the charge against revenue for maintenance. But two things must be kept in view before assuming that the charge to revenue in 1901 was as liberal as it appears to be. In the first place, though mileage advanced by only 10·9 per cent., the traffic advanced by over 26 per cent., and the wear and tear was much greater, particularly as trains have grown heavier in the past decade—especially

APPENDIX VI

passenger trains; and, in the second place, wages and materials having advanced since 1891, the amount of work done in 1901 had certainly not increased in the same proportion as the outlay. The maintenance charge per single mile was £261 in 1891, compared with £321 in 1901. Glancing down the table, some remarkable differences are to be noted. For example, the South-Eastern and Chatham, with an addition to mileage of 6 per cent., have increased their revenue charge by 86 per cent., whilst the North-Eastern, with an increase of nearly 11 per cent. in mileage, has an addition to its charge of only 13·9 per cent. The explanation of this seeming anomaly is that the former companies, having failed to make proper provision in the past, have to make up for former deficiencies in a bad year, whilst the North-Eastern, having been liberal in the past, can afford to restrict its outlay in a bad period. Our table suggests that the Great Northern is not making liberal provision, especially bearing in mind that the 1901 figure includes charges made to wipe off part of the permanent way renewals expense account, the balance of which still remains in its balance sheet, and constitutes a distinct reflection on its financial policy.

Proceeding now to the charges against revenue for repairs and renewals of rolling-stock, we will take the locomotive department first. Our next table (Table III.) shows the provision made out of revenue in 1891 and 1901 on that account.

An increase in the aggregate charge of £1,242,190, equal to 44·4 per cent., is here shown, whilst the total number of locomotives has advanced by 26 per cent. In view of the advance in wages and materials, this increase is moderate. Details of the relative increase in the number of locomotives and in the provision for maintenance are shown in Table IV.

In this table both the Great Northern and the Midland make a rather poor exhibit, as the increase in the sum charged has barely kept pace with the addition to the

BRITISH RAILWAY FINANCE

TABLE III.
LOCOMOTIVE REPAIRS.

Company.	Charge for Locomotive Repairs, Year to June 30, 1901.	Charge for Locomotive Repairs, Year to June 30, 1891.	Increase in Ten Years.
	£	£	£
Great Central . . .	310,524	151,439	159,085
Great Eastern . . .	276,454	193,542	82,912
Great Northern . . .	263,119	171,729	91,390
Great Western . . .	686,827	424,077	262,750
Lancashire & Yorkshire .	218,398	217,018	1,380
London & North-Western	551,258	400,543	150,715
London & South-Western	168,245	98,439	69,766
London, Brighton & S. C.	141,615	88,433	53,182
Midland	603,838	444,318	159,520
North-Eastern . . .	633,916	497,069	136,847
South-Eastern . . .	} 185,730	66,171	} 74,643
Chatham		44,916	
Total	4,039,924	2,797,734	1,242,190

TABLE IV.
LOCOMOTIVE STOCK.

Company.	Number of Locomotives, June 30, 1901.	Number of Locomotives, June 30, 1891.	Increase per Cent.	
			In Locomotives.	In Charge.
Great Central	963	645	49·1	105·0
Great Eastern	1,054	849	24·1	42·8
Great Northern	1,312	883	48·5	53·2
Great Western	2,028	1,640	23·6	61·9
Lancashire and Yorkshire	1,381	1,100	25·5	0·63
London and North-Western	2,984	2,921	2·1	37·6
London and South-Western	733	566	30·0	70·8
London, Brighton and S. C.	494	410	20·4	60·1
Midland	2,655	1,956	35·7	35·9
North-Eastern	2,131	1,550	37·4	27·5
South-Eastern	} 728	359	} 35·0	67·2
Chatham		18		
Total	16,463	13,059	26·0	44·4

APPENDIX VI

number of locomotives. The Great Western and the North-Western, on the other hand, have increased their provision out of revenue to a much greater extent than their locomotive stock. The Lancashire and Yorkshire's charge has shown only a nominal increase, in spite of an addition of $25\frac{1}{2}$ per cent. to its stock. The North-Eastern Company has also apparently failed to keep up its charges at the same rate as its increase in locomotives, but per engine the North-Eastern's provision in 1901 was, nevertheless, much above the average.

Carriage repairs form the next item, and in the next table (Table V.) we show the amounts provided for that purpose out of revenue in the years 1891 and 1901:

TABLE V.
CARRIAGE REPAIRS.

Company.	Charge for Carriage Re- pairs, Year to June 30, 1901.	Charge for Carriage Re- pairs, Year to June 30, 1891.	Increase in Ten Years.
	£	£	£
Great Central . . .	69,313	25,912	43,401
Great Eastern . . .	189,765	106,016	83,749
Great Northern . . .	143,448	111,691	31,757
Great Western . . .	303,967	203,605	100,362
Lancashire & Yorkshire .	143,028	116,447	26,581
London & North-Western	459,603	313,590	146,013
London & South-Western	132,459	85,233	47,226
London, Brighton & S. C.	110,868	54,556	56,312
Midland	194,754	163,097	31,657
North-Eastern . . .	249,352	140,296	109,056
South-Eastern . . .	} 117,128	{ 70,623	} 11,292
Chatham		{ 35,213	
Total	2,113,685	1,426,279	687,406

In this instance the sum provided by revenue has increased by £687,406, equal to about 48 per cent. The largest increase was £146,013, in the case of the North-Western, though the North-Eastern, the Great Western,

BRITISH RAILWAY FINANCE

and the Great Eastern have also shown large advances. The following table shows that the aggregate stock of carriages has increased by 28 per cent.:

TABLE VI.
STOCK OF CARRIAGES.

Company.	Number of Carriages at June 30, 1901.	Number of Carriages at June 30, 1891.	Increase per Cent.	
			In Number.	In Charge.
Great Central . . .	1,494	980	52·0	160·7
Great Eastern . . .	5,043	3,629	38·9	79·0
Great Northern . . .	3,313	2,593	27·7	28·4
Great Western . . .	6,569	5,321	23·4	49·2
Lancashire and Yorkshire	4,390	3,392	29·4	22·8
London & North-Western	9,427	7,287	29·3	46·5
London & South-Western	3,948	3,141	25·6	55·4
London, Brighton & S. C.	3,147	2,817	11·7	103·2
Midland	5,361	4,208	25·0	19·4
North-Eastern . . .	3,915	3,176	23·2	77·7
South-Eastern . . .	} 4,309	{ 2,151	{ 33·4	10·6
Chatham				
Total	50,916	39,773	28·0	48·1

Relatively, the Great Central has increased its charge to revenue to the greatest extent, but its stock also showed the largest increase—namely, 52 per cent. Yet again the Great Northern seems to lag behind, for its increased charge has barely kept pace with its addition to carriage stock; and the Lancashire and Yorkshire and Midland are even worse. The Brighton Company has shown a jump of 103 per cent. in its charge against profits, but an examination of the average per carriage will show that it was probably making inadequate provision for this item in 1891. The Great Western advance of 49·2 per cent., the North-Western of $46\frac{1}{2}$ per cent., and the North-Eastern of $77\frac{3}{4}$ per cent., are all on big totals in 1891. A comparison between the North-Eastern and the

APPENDIX VI

Midland is suggestive. Last year the former charged £249,352 to revenue for maintaining 3,915 carriages, whilst the Midland charged only £194,754 for maintaining 5,361 carriages—one at the rate of £63 per carriage, and the other only £36 per carriage.

The final stage in our examination is the provision made out of revenue in respect of waggons. Subjoined is a table showing the total charge of each company in 1891 and 1901 :

TABLE VII.
WAGGON REPAIRS.

Company.	Charge for Waggon Re- pairs, Year to June 30, 1901.	Charge for Waggon Re- pairs, Year to June 30, 1891.	Increase in Ten Years.
	£	£	£
Great Central . . .	100,451	51,218	49,233
Great Eastern . . .	131,138	77,761	53,377
Great Northern . . .	155,492	80,081	75,411
Great Western . . .	232,642	198,270	34,372
Lancashire & Yorkshire .	106,165	86,210	19,955
London & North-Western	210,614	130,971	79,643
London & South-Western	55,828	57,527	1,699*
London, Brighton & S. C.	41,373	26,439	14,934
Midland	320,482	467,000	146,518*
North-Eastern	590,881	469,871	121,010
South-Eastern	} 58,462	{ 24,067	} 20,767
Chatham		{ 13,628	
Total	2,003,528	1,683,043	320,485

* Decrease.

Here the increase is very moderate, being only £320,485, or at the rate of 19·6 per cent., though the stock of waggons has increased by 29·5 per cent. In two cases the sums set against revenue have actually declined, the Midland Company's as much as £146,518, or 31·3 per cent. The next table indicates to what extent the stock of waggons has grown, and the corresponding increase in the provision made for their maintenance :

BRITISH RAILWAY FINANCE

TABLE VIII.

STOCK OF WAGGONS.

Company.	Number of Waggons at June 30, 1901.	Number of Waggons at June 30, 1891.	Increase per Cent.	
			In Number.	In Charge.
Great Central . . .	27,944	14,331	94·9	96·1
Great Eastern . . .	26,626	15,689	69·7	68·6
Great Northern . . .	38,025	27,862	36·4	94·1
Great Western . . .	59,003	44,566	32·4	17·3
Lancashire & Yorkshire . . .	29,299	21,482	36·4	23·1
London & North-Western . . .	71,369	57,315	24·5	60·8
London & South-Western . . .	13,727	9,164	49·7	2·9*
London, Brighton & S. C. . .	10,018	7,611	32·0	56·4
Midland	118,757	102,915	15·3	31·3*
North-Eastern	98,798	82,391	19·9	25·9
South-Eastern	} 11,436	{ 5,235	} 56·0	55·0
Chatham		{ 2,095		
Total	505,002	390,656	29·5	19·6

* Decrease.

In several cases the increases in the charges to revenue are comparatively small, because the acquisition of privately-owned waggons has proved economical after the first few years. This accounts to some extent for the showing made above by the Midland, Great Central, Great Western, and North-Eastern companies. But, as in the case of carriage stock, a wide difference exists between the Midland and the North-Eastern, and in our opinion the former company is charging far too much to capital and too little to revenue, whilst, as the North-Eastern figures have been abnormally high for years, one of two things must be happening, either the company is wasteful in its repairs and renewals, or it is increasing its stock out of revenue, and in either case there is room for a saving. In the main, our investigations show that the charges to capital for rolling-stock have been too free, and that provision out of revenue, except in special cases, has not been too liberal.



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